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VOLUME NO. 4

EXPLANATORY NOTES

FOR

DEPARTMENT OF AGRICULTURE

BUDGET ESTIMATES

FISCAL YEAR

1944

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AGRICULTURAL MARKETING ADMINISTRATION

(a) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES

Appropriations, 1943:		
Permanent appropriation	$131,429,833	
Reappropriation	44,497,745	$175,927,578
Proposed transfers in 1944 estimates, as shown in Budget schedule		-650,246
Total appropriated funds, 1943		175,277,332
Deduct 1943 unobligated balance reappropriated 1944		-25,000,000
Total available, 1943		150,277,332
Budget estimate, 1944:		
Permanent appropriation	$ 96,000,000	
Reappropriation	25,000,000	
Total Budget estimate, 1944		$121,000,000
Received by transfer from "Salaries and expenses, Agricultural Adjustment Administration"		175,000
Total estimated available, 1944		121,175,000
Decrease (including decrease of $120,614 travel funds returned to surplus)		29,102,332

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Food-stamp plan, redemption payments	$114,200,000	$50,000,000	$ - -	-$50,000,000
2. Cotton-stamp plan, redemption payments	3,500,000	- -	- -	- -
3. Purchase of agricultural commodities for distribution through state welfare agencies	22,630,588	10,000,000	10,000,000	- -
4. Encouragement of export of agricultural commodities-program payments	13,342,500	5,000,000	5,000,000	- -
5. Diversion of agricultural commodities to by-products and new uses - program payments	7,642,500	26,082,909	16,500,000	-9,582,909
6. School milk and lunch programs	21,474,000 a/	26,552,470 a/	81,632,315 a/	+55,079,845

a/	1942	1943	1944
School lunch	$20,000,000	$20,552,470	$66,632,315
School milk	1,474,000	6,000,000	15,000,000

PROJECT STATEMENT (CONTD.)

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
7. Encouragement of domestic consumption and utilization of agricultural commodities by developing and expanding market facilities and location outlets where present facilities and outlets are underdeveloped or nonexistent	$ - -	$ - -	$2,000,000	+$2,000,000 (4)
8. Administration of Exportation and Domestic Consumption of Agricultural Commodities including marketing agreements, orders and activities programs	6,613,017	6,810,450	4,927,540	-1,882,910 (5)
Covered into Treasury in accordance with Public Law 674	- -	120,614	- -	-120,614
Allotments and transfers to other agencies and departments	575,683	25,710,889 b/	545,429	-25,165,460 (6)
Unobligated balance	- -	- -	569,716 c/	+569,716
Total available	189,978,288	150,277,332	121,175,000	-29,102,332

b/ Includes $25,000,000 available for incentive payments program to encourage production of potatoes, dried beans, and certain other vegetables.

c/ Represents an amount equal to transfers in the estimates of staff agencies, to offset amounts to be appropriated directly, as follows:

Office of the Secretary		$140,000
Office of the Solicitor		142,000
Office of Information		23,000
Library		18,585
Bureau of Agricultural Economics:		
Economic investigations	$140,945	
Crop and livestock estimates	105,186	246,131
		569,716

PROJECT STATEMENT (CONTD.)

Project	1942	1943 (estimated)	1944 (estimated)
Transfers in the estimates to other appropriations as shown in Budget schedule	+$403,556	+$650,246	$ - -
Received by transfer from "Salaries and expenses, Agricultural Adjustment Administration"	- -	- -	-175,000
1943 Unobligated balance available in 1944	- -	+25,000,000	-25,000,000
1942 Unobligated balance available in 1943	+32,497,745	-32,497,745	- -
1941 Unobligated balance available in 1943	- -	-12,000,000	- -
Total estimate or appropriation	222,879,589	131,429,833	96,000,000

INCREASE OR DECREASE

The decrease of $28,981,718 in the projects of this item for 1944 consists of:

(1) A decrease of $50,000,000 in the food stamp program, resulting from its suspension March 1, 1943. The conditions which brought this program into being have now materially changed. National food surpluses have disappeared; critical shortages of some foods are inevitable. Except the aged, the physically incapacitated and the underprivileged children, most of the persons benefited by the food stamp program have been absorbed by war industries. Since these special groups can be cared for through direct distribution and other means, the food stamp program is being suspended March 1, 1943.

(2) A decrease of $9,582,909 under the project "Diversion of agricultural commodities to by-products and new uses, program payments." It is anticipated that reductions can be made in the operations of certain diversion programs such as peanut marketing, binder twine and relief milk.

(3) An increase of $55,079,845 under the project "School milk and lunch programs." An expansion in both the school milk and school lunch programs

is planned for the fiscal year 1944. The school milk program in December 1942 was reaching 1.3 million children in 8,000 areas. It is planned to expand the program during the 1944 fiscal year to 5 million children.

The school lunch program for 1944 will be operated entirely on the new basis whereby the foods are purchased locally by the sponsor and an indemnity payment is made to the sponsor each month based on the number and type of meals served. Formerly many incomplete and cold lunches were served. The more general serving of hot and complete lunches is now being encouraged. This factor, in addition to a general 20 percent increase in the cost of foods, will result in an increased cost per month per child. It is planned to expand the program so that during the 1944 fiscal year a monthly average of 6 million children will be benefiting from the program.

(4) An allotment of $2,000,000 for a new project, "Encouragement of domestic consumption and utilization of agricultural commodities by developing and expanding market facilities and outlets where present facilities and outlets are underdeveloped or nonexistent." In many areas production has been increased where marketing facilities have been inadequate or entirely lacking resulting in unnecessary waste and unstable prices. Under this program the Agricultural Marketing Administration, working in close cooperation with state marketing agencies, farmers' cooperatives, trade associations, and extension services, would develop the necessary facilities and outlets.

(5) A decrease of $1,882,910 in administrative expenses primarily as a result of the suspension of the food stamp plan.

(6) A decrease of $25,165,460 in contemplated allotments and transfers. Of this amount $120,000 is a reduction in funds required by the Division of Disbursement, Treasury Department, as a result of the suspension of the stamp plan; $25,000,000 available for incentive payments in 1943 if such program is put into effect.

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of this item as follows (new language underscored, deleted matter enclosed with brackets):

> Exportation and Domestic Consumption of Agricultural Commodities, Department of Agriculture: To enable the Secretary [of Agriculture] to further carry out the provisions of section 32, as amended, of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c), and subject to all provisions of law relating to the expenditure of funds appropriated by such section, there is hereby reappropriated for the fiscal year [1943] 1944 the unobligated balances of the funds made available for the purposes of such section 32 for the fiscal [years 1941 and 1942] year 1943. Such sums shall be in addition to, and not in substitution for [, other appropriations

made by such section or for the purposes of such section] the appropriation made by said section 32, and shall be available during the fiscal year 1944 for administrative expenses in carrying out said section 32 and the Agricultural Marketing Agreement Act of 1937, approved June 3, 1937, as amended (7 U.S.C. 601 et seq.), in accordance with the provisions of section 392 of the Agricultural Adjustment Act of 1938, approved February 16, 1938 (7 U.S.C. 1392), as amended by the Act approved January 31, 1942 (56 Stat. 41-42), including personal services in the District of Columbia and elsewhere: Provided, That not to exceed $175,000 of the unobligated balance of the appropriation made by section 12 (a), title I, of the Agricultural Adjustment Act, approved May 12, 1933, as amended (7 U.S.C. 612), shall be available during the fiscal year 1944 to enable the Secretary to further perform the duty imposed upon him under applicable laws to protect the interests of consumers with due regard to the maintenance of a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices fair to both producers and consumers, which sum shall be available for administrative expenses (including not to exceed $37,200 for printing and binding) in accordance with the provisions of subsection (a) of the aforesaid section 392, but without regard to the limitations prescribed in subsection (b) thereof (56 Stat. 694).

The changes are as follows:

(1) The language which provided for the reappropriation in fiscal year 1943 of the unobligated balances of funds under this title for fiscal years 1941 and 1942 is amended so as to reappropriate for 1944, the unobligated balance of the 1943 appropriation.

(2) The provision for administrative expenses has been inserted to clarify the language on which is based the authority to expand funds for administrative expenses in carrying out the purposes of section 32 and of the Agricultural Marketing Agreement Act of 1937.

(3) The proviso which has been added is designed to provide funds for the administrative expenses of the Consumers' Counsel Division. Prior to the fiscal year 1943 the Consumers' Counsel, then a part of Agricultural Adjustment Administration, was financed primarily from the unobligated balance of the funds appropriated under the title "Salaries and expenses, Agricultural Adjustment Administration." The enactment of Public Law 427, 77th Congress, approved January 31, 1942, limited the administrative expenses for section 32 activities and "Salaries and expenses, Agricultural Adjustment Administration" to 4 percent of the total funds available for any fiscal year. The financing of Consumers' Counsel activities was not contemplated within this limitation inasmuch as the organization was not transferred to the Agricultural Marketing Administration until February 1942 by Secretary's Memorandum 988. This proviso in the Budget will permit

the use of $175,000 of the unobligated balances of the appropriation "Salaries and expenses, Agricultural Adjustment Administration" in fiscal year 1944 in addition to the 4 percent limitation for administrative expenses for the financing of Consumers' Counsel.

WORK UNDER THIS APPROPRIATION

General: Work under this appropriation is concerned with providing a means to counteract market fluctuations and to absorb the impact of unusual market conditions occasioned by war. The elimination of certain export markets and import sources; unusual demands for some products; transportation, packaging, and manpower difficulties; the new production goals for agriculture, have all tended to disturb normal market conditions and increase the need for stabilization activity.

Programs under this appropriation are a method of carrying out the Department's general price support program. Even under the most careful planning, certain seasonal and temporary surpluses will continue to occur, although national food surpluses have largely disappeared and critical shortages of some foods are inevitable.

Through the diversion programs, substitutes have been made available for some materials now short. These materials include former imports now cut off by the war, as well as critical domestic materials.

The work under this appropriation is divided by projectsas follows:

Project 1. Food stamp plan, redemption payments: The stamp program was inaugurated in May 1939 to improve farm income by increasing consumption of surplus foods and at the same time to improve the diets of families who otherwise would not be able to obtain their minimum food needs.

The program developed slowly on an experimental basis until the spring of 1940. It was then expanded rapidly until at its peak in May 1941, 4.0 million persons in 47 states; 1,471 counties, and 88 city areas, were participating. The areas included about 62 percent of the Nation's total population.

Through January 1943 free blue stamps issued under this program since its inception have totaled about $256 million. The monthly volume of blue stamp issuance was greatest in July 1941, totaling 10 million dollars.

Approximately 4.2 billion pounds of designated commodities have been purchased with blue stamps.

Project 2. Cotton stamp plan, redemption payments: This program has not been in operation since the latter part of the fiscal year 1942.

Project 3. Purchase of agricultural commodities for distribution through state welfare agencies:

Objective: To provide outlets for local and seasonal surpluses and to prevent market gluts through a program of distributing surpluses to the lowest income groups in this country.

The Problem and its Significance: At the peak of the direct distribution program, approximately 11.7 million people benefited. As national surpluses disappeared, and as more and more families became able to buy the foods they needed, the program was curtailed until by December 1942 participation had been cut to 2.4 million. Present plans call for further reduction in participation to 1.2 million in 1944, but the need for some direct distribution activity continues.

The people still participating in the program are, for the most part, nonemployables -- the aged, the crippled, the blind -- men and women who have not shared in war prosperity, but who have actually, in the face of higher living costs, suffered more. The foods purchased are largely items in local or temporary surplus. Even under the most careful planning, some unavoidable surpluses will continue to occur in areas where production goal crops outstrip storage and processing facilities or available truck and rail transportation. In other cases, lack of shipping space or changing needs make it impossible to ship under the lend-lease program the foods intended for that purpose. In either instance, the direct distribution program provides an outlet for distributing these commodities, which might otherwise be wasted, to low-income families.

It is necessary that this program be continued, though on a limited scale, in order to have facilities available for relieving temporary and seasonal market gluts which may occur under the expanded production goals and for assistance to the price stabilization program of the Department.

General Plan: Purchases are made to meet an emergency situation in the marketing of agricultural products and to give farmers the assurance of income and sale needed in order to secure increased production. The commodities are shipped upon orders from state welfare offices for distribution to needy persons.

Examples of Progress and Current Program: In December 1942, 2 million persons in family groups and 391,000 persons in institutions and special groups participated in the program. Approximately 29,300,000 pounds of food valued at $2,400,000 was distributed in that month. Foods distributed included principally oat or wheat cereal, white flour, corn meal or grits, dry beans and apples.

Project 4. Encouragement of export of agricultural commodities, program payments:

Objective: To dispose of surplus stocks and to support farm prices through a program of maintaining foreign markets.

The Problem and its Significance: On July 1, 1942 there was on hand the largest supply of wheat in the history of the United States, approximately 1.6 billion bushels. Total domestic utilization of about 900 million bushels, forecast for the 1942 marketing year, would leave over 700 million bushels available for export and carry-over. Because of war conditions, producers were confronted with a shrinking, rather than expanding, foreign market.

The problem is not only to provide an outlet for surplus wheat and possibly other commodities, but also to establish and maintain market connections. Wheat flour, for example, is sold by brand name. The "name value" market advantage built up over the years is easily lost when shipments are cut off over any long period of time. This program will assist during war years in holding established markets and maintaining this country's fair share in the world market.

At the present time exports of flour under this program are limited to countries in the Western Hemisphere, particularly Mexico and certain Central American countries. These export programs promote close economic ties that have been established over the years with these countries. These programs should be continued on approximately the present scale despite wartime restrictions.

General Plan: Exports are encouraged through payments to exporters approximately equal to the difference between the domestic price and the world price.

Examples of Progress and Current Plan: Under this program in 1941-42 flour equivalent to 11.5 million bushels of wheat was sold for export. Cuba, Ecuador, and Venezuela were the leading buyers. In this same year 7.8 million bushels of wheat were sold for shipment. Most of the wheat was sold for export to Mexico.

Project 5. Diversion of agricultural commodities to by-products and new uses:

Objective: To increase returns to producers by increasing domestic consumption, developing new uses for agricultural commodities, and providing substitutes for materials no longer available due to the war.

The Problem and its Significance: The diversion programs, originated to remove surpluses and develop new uses for certain agricultural commodities, have assumed increased importance in the Nation at war. Imports of certain materials especially critical in wartime, as well as some for which there is a continuing need, have been cut off almost completely. Substitutes must be found for these imports and for critical domestic materials. The Agricultural Marketing Administration has been able to deal effectively with several of these important wartime shortages because of work it has been carrying on for several years in developing new uses for agricultural commodities through the diversion programs.

There are a number of other commodities -- some of them perishable or semiperishable in nature -- for which temporary surpluses will occur from time to time as record production overburdens processing, transportation, and shipping facilities. The Agricultural Marketing Administration provides for utilization of certain of these temporary surpluses through the diversion programs.

Examples of Progress and Current Program: By means of the diversion programs in 1942-43 an adequate supply of peanuts for oil, and reasonable prices for both oil and edible peanuts were assured; cotton bagging for cotton bales was available to replace dwindling stocks of imported jute bagging; nicotine insecticide was available to replace imported and critical domestic ingredients of insecticides, and a 160,000-ton kraut cabbage crop was saved.

The cotton bagging program: This project, initially begun as an attempt to find a new use for surplus cotton, has an important wartime function. In the past practically all of the cotton grown has been wrapped with jute bagging or sugar bag cloth processed from jute fiber. Only 1/8 of the cotton crop has been wrapped with bagging made of American-grown cotton. Now, with jute imports cut off, production of cotton "patterns" is being stepped up to 8,000,000 patterns to take care of the 1942 cotton crop.

The cotton bagging program should be continued until the product becomes commercially acceptable and demanded. Progress is being made in this direction. One serious objection to cotton covering has been that producers using them were penalized because the cotton wrappers weighed less than jute bagging. This fiscal year the buyers and sellers of cotton have agreed to add 7 pounds per bale to the invoiced weight when the cotton is wrapped in cotton-made bagging.

It is estimated that the use of cotton in bag manufacture offers a potential market for from 100,000 to 130,000 bales annually. This represents 2 percent of the total domestic consumption.

Cotton insulation: Cotton insulation was first introduced on the market in 1941 in connection with the efforts of the Department of Agriculture to develop new outlets for cotton. The product is now finding favor in public housing construction, in private construction in defense areas, in army trailer homes, and in storage house construction.

Cotton insulation is contributing materially to the war effort. Its rapid installation, compared with that of other insulations, is of increased importance in a time of labor shortage. On one building project in the District of Columbia a saving of 40 percent in insulation labor costs was made.

With critical situations in fuel and transportation, the 25 percent reduction in fuel needs made possible through the use of insulation, and the attendant saving in transportation also assume increased importance.

Cotton insulation is an excellent product in war or peace. It is highly flame-resistant, light, and cohesive. Payments to processors are necessary in the early stages in order to assure high standards in regard to flameproofing, size, shape, and thickness, and in order to change long-established building specifications.

The total supply of cotton for the 1942-43 crop year, including production and carry-over, is over 23 million running bales. Under this program up to 45,000 bales may be diverted to cotton insulation in the next year. The product offers a potential market for 1/4 to 1/2 million bales of cotton annually.

Cotton binder twine: This program will assure to American farmers urgently needed supplies of binder twine at reasonable prices, and at the same time utilize surplus low-grade cotton.

Henequen and sisal, imported from abroad, have been the principal fibers used in binder twine. Imports of these fibers, however, are not now adequate to satisfy the growing needs of the armed forces for military cordage and other purposes, and of farmers for binder twine.

Twine combining cotton with henequen has been found suitable for harvesting needs. Under the proposed program its manufacture on a commercial scale will be encouraged. Twine manufacturers will receive the amount by which the cost of cotton yarn (f.o.b. mill) exceeds 7 cents a pound net weight, with a maximum payment of 25 cents a pound. Utilization of up to 75,000 bales of low-grade cotton, or approximately 30 million pounds of cotton yarn, is contemplated.

Cotton seed improvement: If cotton producers in the United States are to keep abreast of their competitors abroad after the war, definite steps need to be taken now toward production of larger acreages of the best cotton varieties available. Under the Cotton seed improvement program the Department is encouraging the growth of a single improved variety of cotton by all growers in an area of uniform growing conditions. The consequent elimination of a large number of inferior varieties will result in improved cotton quality, increased yields per acre, and standardized production, with the end result of increased incomes for farmers, and the production of improved cotton.

Brazil's experience with one-variety cotton offers an example of what may be anticipated under such a program. Formerly Brazilian cotton sold for substantially less than United States cotton. Now, with only one variety grown in the principal cotton section of the chief cotton-growing state, Sao Paulo, Brazilian cotton is regarded by certain cotton-importing countries, such as Canada, as of equal value to United States cotton.

Under the cotton seed improvement program, payments will be made to growers at the rate of not less than $2.25 per 100 pounds for Class A

Seed (foundation breeder seed) and $1.10 per 100 pounds for Class B Seed (first year increase from A seed). Even with these payments, the cost of Class B Seed to the grower is at least several dollars more a ton than the gin-run seed frequently planted.

Cabbage program: In September 1942 Agricultural Marketing Administration introduced a program to save the 160,000-ton kraut cabbage crop by encouraging the packing of kraut in wooden barrels. Marketing of the crop was practically at a standstill because no tin was allocated for civilian supplies this year.

Under the diversion program payments are made to kraut packers for kraut sold in regular commercial channels, provided the packer pays the producers at least a set minimum price for the domestic type cabbage. The Agricultural Marketing Administration will purchase the supplies of bulk kraut still in packers hands after May 1, 1943. Kraut obtained by Agricultural Marketing Administration will be used for Government needs.

The peanut marketing program: This project, carried out by the Agricultural Marketing Administration, is another important contribution to the war effort. The reduced importation of olive and coconut oils has correspondingly increased the demand for peanut oil, a suitable substitute. This program is designed to insure an adequate supply of peanuts for oil to help meet increased military and civilian demands, and at the same time to insure reasonable prices to farmers for peanuts sold for edible use as well as for those crushed for oil. It is estimated that between 1937 and 1941 payments of $14,333,000 under the program resulted in an additional $82,000,000 being obtained for the total peanut crop, or approximately $5.72 for each dollar expended.

The tobacco program: This project has also proved of strong wartime importance. Like the cotton bagging program, it was originally an attempt only to remove burdensome surpluses.

Nicotine insecticides have become of paramount importance in meeting the agricultural production goals for fruit and vegetable crops. In addition, the scarcity of other insecticide ingredients - derris root, copper, arsenic - has increased the importance of nicotine insecticides, which can be substituted in part.

Relief milk: No expansion in operations is contemplated for the relief milk program in the immediate future. In November 1942 approximately 248,000 needy persons participated. The program is being maintained at a limited level in the Greater Boston Area; Manchester, New Hampshire; New York City; New Orleans; and Chicago. The price paid by eligible needy purchasers is 5 cents a quart in all areas except Boston. There, 6 cents a quart is paid.

Walnut export and diversion: Wartime conditions have practically closed the export market for walnuts. Export sales under the walnut export and

diversion program declined steadily from 13,577,300 pounds in 1937-38 to 1,200,000 pounds in 1941-42, increasing the large surpluses on the domestic market. The 1942 crop of walnuts sold at approximately 70 percent of parity, or a farm price of 14.4 cents per pound.

Under this program the diversion of unshelled surplus walnuts to shelled walnuts and the exportation of unshelled walnuts are encouraged in order to improve farm income.

Under the present marketing agreement and order 10 percent of the merchantable walnuts for the crop year September 1, 1942 to August 31, 1943, is designated as surplus. Slightly more than 7 million pounds of surplus walnuts have been set aside for shelling except for an almost negligible quantity (11,000 pounds) which are being exported. A Federal diversion payment to growers is authorized in an amount not to exceed $350,000 or 3-3/4 cents a pound on the surplus.

Project 6. School milk and lunch program:

Objective: To assist the needy school children of the Nation to obtain their minimum food requirements.

The Problem and its Significance: The community school lunch and school milk programs have materially assisted in improving the diets of children. In the opinion of teachers and other school officials and national groups, such as the American Legion and service clubs, these programs have made important contributions to the health, alertness, ability to learn, and freedom from illness of the children who have been benefited by them. Under the milk program both calcium and riboflavin, commonly deficient in low-income diets, have been made available. Despite increased employment and rising national income, there is need for still further improvement in the diets of a large number of school children throughout the Nation.

War conditions have increased the importance of school lunches. Regardless of economic status, a large number of children, including many whose mothers are working outside the home, would have a wholly inadequate noon meal unless the school, with the assistance of the Federal Government, made provision for school feeding. The feeding of children of pre-school age whose mothers are working must also be expanded.

In England school lunches have top priority. Fresh milk, orange juice, and other essential foods are reserved for children. Children of school age in this country, too, must be assured of their minimum food requirements under any condition of supply. The school lunch and school milk programs represent an effective way of securing for the children participating in them from one-third to one-half of their daily nutrition requirements.

General Plan: Under the milk program children pay not more than one cent per half pint; the milk is free to those unable to pay. The Agricultural Marketing Administration reimburses the sponsor for the cost of the unprocessed milk according to the prevailing price per hundredweight in the area. The local sponsor pays for the cost of pasteurizing, bottling, and delivering.

In the past foods for the school lunch program were purchased by the Agricultural Marketing Administration and donated to the state welfare agencies which in turn distributed them to sponsors of school lunch programs. During recent months the tightness of warehousing, transportation and distribution facilities, the withdrawal of WPA labor, and the difficulty experienced by welfare agencies in obtaining labor have made it necessary to revise the method of operation of the school lunch program in order to reduce the amount of physical handling of the commodities. This is now being accomplished through the transfer of the food purchasing job from the Agricultural Marketing Administration to the local sponsors.

Under the latter method of operation the local sponsor provides the foods and is reimbursed by the Agricultural Marketing Administration for a part of the cost, depending on the type of lunch served. The sponsor bears the cost of facilities, labor, and supervision.

Under the new plan the Agricultural Marketing Administration will designate specific commodities which sponsoring agencies may purchase. Designation will be based on the supply and price of the commodity and careful consideration of nutritive value.

Indemnity payments made by the Agricultural Marketing Administration under the school lunch program will be based on reasonable food cost allowance, per meal, for the number of meals to be served to participating children. For the purpose of determining maximum payments, lunches are classified as follows:

Type of Lunch	Maximum Payment per Meal
A - A complete lunch providing 1/3 to 1/2 of daily requirements (1) at least 1/2 pint of milk; (2) two vegetables or a vegetable and a fruit; (3) meat, fish, eggs, dried peas or beans; (4) whole grain or enriched cereal in bread or other form; (5) butter or margarine fortified with vitamin A; (6) (optional) dessert of fruit or simple sweet	$0.07
B - A lunch consisting of: One hot dish such as soup, stew, or casserole; 1/2 pint of milk; and bread	.05

Type of Lunch	Maximum Payment per Meal
C - A cold lunch: Sandwich, a fruit or salad; 1/2 pint of milk	$0.05
D - A lunch consisting of 1/2 pint of milk and fresh or canned fruit	.02
E - A supplementary feeding at other than regular mealtimes, such as fruit, hot cereal, or a sandwich, served on arrival at school, at recess, or at the end of the school day	.03

Nonprofit, public, private, or religious schools (in which low nutrition is prevalent) are eligible to participate. Eligible child welfare centers are subject to much the same restrictions. Lunch must be offered to all children attending the school or welfare center, and lunch will be served without cost to children unable to pay. It should be emphasized that both the milk and the lunch programs are made available only upon the request of local sponsors and where need for the programs exists.

Examples of Progress and Current Program: The school milk program was first introduced on an experimental plan limited to eight areas. The program was considered so successful that in August 1941 it was made available on a Nation-wide basis. At the present time 1,300,000 children are participating, but milk consumption by children at school age is still far below the minimum standard necessary for health. It is planned to expand the program in 1944 to include five million children.

The new school lunch program, under which foods are purchased by the local sponsor, is just now getting under way. Therefore, no statistics are available on participation, types of meals served, or commodities used. Present plans for 1944 anticipate an average participation of 6 million children and the more general serving of hot meals.

At present a monthly average of 4.5 million children, or 16 percent of the total school enrollment, is receiving lunches composed entirely or in part of foods purchased by the Agricultural Marketing Administration. In December 4.7 million children in 66,000 schools participated. Approximately 33.5 million pounds of food valued at 3.1 million dollars were distributed at a cost to the Agricultural Marketing Administration of 1.8 million dollars. Foods distributed to 50 percent or more of the participating children in November, the last date for which complete information is available, were: Cheese, evaporated milk, white flour, apples, dry beans, and canned pork and beans. Approximately one-third of the children participating also received dried skim milk and corn meal or grits.

Project 7. Encouragement of domestic consumption and utilization of agricultural commodities by developing and expanding market facilities

and outlets where present facilities and outlets are underdeveloped or nonexistent: The war has magnified inefficiencies and disorder in marketing until they threaten to become a drag on agricultural production. Already they have resulted in some areas in waste, in unstable prices, and in shaken confidence.

In the commercial producing districts improvements are needed in the physical facilities for marketing. Some of the facilities need to be expanded to meet war needs. Many need to be consolidated. The program in the noncommercial districts of scattered production is even more pressing. In general, individual production is on a small scale in these areas. As tires and gasoline become scarce, and itinerant truckers pass out of the picture, the Government must stimulate and guide well-planned market developments if costly duplication of facilities is to be prevented, idle acreage brought into cultivation, farm production efficiently utilized, and price supports made effective.

There are also problems of overtaxed facilities for handling the movement of foods into army areas, and into defense cities that have mushroomed in the last year. While large-scale construction of new facilities is, in most cases, out of the question, much can be done to aid state and local people to reorganize the use of the facilities that are at hand and, with minor additions, to make them more nearly adequate for meeting present conditions. This would help to prevent market gluts and the waste and spoilage that means both inefficient use of our food resources in the war and unnecessary costs that are reflected unfavorably in the prices growers receive.

Finally, with the disturbed marketing conditions that prevail at present, there is need for special quick-acting news services to inform both dealers and consumers when abnormally large supplies of particular commodities are anticipated, in order to prepare the market to absorb these supplies. An example is the Victory Food Special Campaign that has been carried on for several months. This type of work likewise promotes better utilization of our scarce total food supply and prevents wastes that would otherwise be reflected in losses to producers.

One phase of the problem is well illustrated by the conditions that developed in the South last year when, in response to the request of the Department, egg production was increased sharply. Market facilities in the South were inadequate to handle the unusually large volume. As a result, there were local surpluses in the face of a national deficiency. In order to meet the situation, concentration points were designated; contracts entered into with storage companies; and, through cooperation with the states, grading and marketing information services were provided on a limited scale. This emergency program facilitated the movement of eggs into normal trade channels although purchases by the Agricultural Marketing Administration were relatively small. Local production was effectively utilized, farmers' income improved, and their confidence restored. Steps must be taken promptly to prevent the recurrence of conditions of the kind that developed in the South.

The introduction of soy flour in the domestic diet is another of the important problems that might be dealt with under the new program. Soybeans are one of the few protein foods of which production can be expanded, but because they are unfamiliar, their nutritional advantages must be brought before the public. Under the proposed program funds could be made available for this purpose.

The 25 billion pounds of skim milk, the by-product of creamery butter, which has each year been fed to livestock or poured out on the ground, could be marketed if driers were established in the creamery butter areas. This is another type of program possible under the proposed project.

The Plan: Over a period of time the Agricultural Marketing Administration has made intensive studies of marketing needs, by area and commodity. This experience will provide the background for developing the general guiding policies. Any specific plan of work would vary according to local needs and problems.

Wherever possible, marketing plans would be developed in cooperation with the state marketing agencies, extension services, farmers' cooperatives, trade associations, and others. Cooperation of state and local agencies would supplement the Federal resources, and at the same time place responsibility with local agencies and assure local participation and assistance in the program.

Such a program would include:

(1) Ascertaining those commodities, including varieties, grades, and packages, which can be produced and marketed to best advantage.

(2) Determining the weaknesses of the existing marketing system in each state or region.

(3) Planning and developing the best type of marketing system for each area including methods, facilities, and services designed to bring about greater efficiency, to stabilize farm prices, and to assure adequate supplies to consumers.

(4) Devising methods of effecting better coordination between production and marketing in each area, realizing that proper planning of production requires adequate knowledge and coordination of market possibilities.

(5) Coordinating local market programs, methods, and practices with those of other localties, states, and regions.

Project 8. Administration of Exportation and Domestic Consumption of Agricultural Commodities, including marketing agreements, orders, and activities programs:

Objective: To plan the most effective use of funds made available under this appropriation in order to achieve assigned objectives, and to

administer efficiently the programs developed; to supervise marketing agreements and orders; to secure prompt, complete and accurate information with respect to market conditions, particularly with regard to shortages, price-depressing gluts, or the disorderly flow of goods; to insure the most efficient use of available marketing facilities and the orderly movement of produce from farm to ultimate consumer; to select, develop, and prescribe effective means of adjusting or alleviating emergency conditions arising out of maladjustment of supplies; to execute such plans economically and in the manner best adapted to carry out the purposes of the program; to enforce such regulations and orders as are necessary to protect the public interest; to evaluate and report on the results of such programs.

The Problem and its Significance: Any violent shift in the normal relationship of supply and demand, such as occurs under the unusual strain of a wartime economy, produces serious repercussions in the marketing system. Every effort is made to operate the domestic consumption programs so that they anticipate and cushion temporary market fluctuations and absorb the impact of abnormal market conditions.

The programs under this appropriation require close cooperation, not only among the various organizational units within the Department but with other agencies, such as War Production Board, Office of Price Administration, Maritime Commission, and Board of Economic Warfare, whose programs affect the agricultural situation. In addition to cooperative action with other Federal agencies, close working relations are maintained with farmer associations, representatives of agricultural groups and industries, bankers, grocers, social workers, and relief and educational organizations. Cooperative work with these agencies in planning, conducting and evaluating the numerous methods of meeting problems arising out of the war lays the basis for wider public understanding of the problems of marketing.

General Plan: The commodity divisions of the Agricultural Marketing Administration analyze the supply, demand, price, and uses for all agricultural commodities, and, after consultation with producers, handlers, shippers, processors, warehousing and exporting groups, formulate the type or types of programs best adapted to effectively meet the problems involved. Prior to the initiation of any program, representatives of the management units of the Administration, including the Fiscal Branch, Personnel Division, Administrative Services Division, and Investigations Division, together with representatives of the Solicitor's Office of the Department, are consulted with regard to fiscal, staffing, facilities, or enforcement problems which may be involved.

If the program involves the distribution of commodities to needy groups, a representative of the Distribution Branch, which actually conducts programs of this type, assists the commodity divisions in the development of the program. Close working relationships are maintained between the commodity branches and the Distribution Branch on purchases of commodities to relieve distress or maladjustment in supply and need. Marketing agreements and orders are developed and administered through the commodity branches. Each commodity branch is responsible for commodity agreements and orders in its particular field.

Direct purchase operations are being conducted through the regional

commodity branches in Washington. The distribution of commodities directly to welfare clients is supervised through state and area representatives under the direction of the regional offices. Stamp plan operations have been similarly supervised in collaboration with local welfare agencies in designated areas.

Field operations of the Administration are conducted through seven regional offices and numerous field stations scattered throughout the country. The regional administrators are, in general, responsible for activities in their regions and they report to the administrator on policy matters of major importance.

(b) EMERGENCY SUPPLIES FOR TERRITORIES AND POSSESSIONS AGRICULTURAL MARKETING ADMINISTRATION

The Act of December 23, 1941, Public Law 371, 77th Congress, appropriated $35,000,000 for "Emergency Supplies for Territories and Possessions," to enable the Secretary of Agriculture "to procure, transport, and distribute agricultural and other commodities and supplies to meet the emergent requirements of the civilian population of the Territories and Possessions of the United States."

Obligations incurred during fiscal year 1942, and estimated obligations 1943 and 1944, for the purchase of commodities, are as follows: It is estimated that receipts approximately equal to the obligations incurred will be deposited to the account, each of the 3 years, as authorized by the appropriation.

Fiscal year 1942	$10,088,410
Fiscal year 1943	25,371,168
Fiscal year 1944	25,000,000

The Problem and its Significance: The discontinuance of commercial shipping between the American mainland and its dependencies following the outbreak of war created a critical supply problem. Very few of the islands are agriculturally self-sufficient. Their economics are based on the export of large quantities of sugar, coffee, pineapples, and minerals, and the import of a major portion of their food and fibre requirements. The elimination of this normal flow of commerce within a space of a few weeks brought many of the dependencies to the verge of actual starvation. In Hawaii only a few weeks' supply of food was available on the day of the treacherous Japanese attack, in spite of efforts to diversify the economy of the islands during previous years.

At the outset of war, only 15,000 acres of the 308,338 acres under production in the islands were being used in the production of food for local needs. A beginning had been made in setting up reserve supplies of food, but the attack came before the program was well under way. Congress realizing the seriousness of the situation, immediately established a revolving fund of $35,000,000 to provide for the purchase and shipment of goods to meet agricultural deficiencies. Shipments are now arriving regularly at the islands and rapid strides are being made in the direction of maintaining a continuous six months' reserve in order to meet all eventualities. Although this fund is available for all the territories and possessions of the United States, the fund has been used for Hawaii only. This is in accordance with the arrangement explained to the House Subcommittee on Appropriations on December 18, 1941 in the hearings on the Emergency Supplies for Territories and Possessions Bill.

General Plan: Requirements for the islands are determined by the responsible military and civilian authorities in charge of the territories to be supplied, in cooperation with representatives of the Agricultural Marketing Administration. The required items are procured by the Agricultural Marketing Administration either out of Government-owned stockpiles, on the open market, or by negotiation with vendors. They are loaded at West Coast ports in space assigned by the authorities in charge of shipping. Representatives of the Agricultural Marketing Administration are stationed in Hawaii to insure that the commodities supplied meet the needs as submitted, and to account for the disposition of shipments. The goods are distributed through the normal channels of trade. They are sold to wholesalers at prices deemed adequate to cover the costs of purchase, handling and shipment, and sold to consumers at fixed retail prices. Receipts from the sales of commodities to wholesalers are returned to the fund for reuse.

Examples of Progress and Current Program: By the end of January, 1943, more than seventeen million dollars worth of commodities had been shipped to the Hawaiian Islands. The commodities included are as follows:

T. E. P. - Commodities Shipped
to January 31, 1943

Commodity		Amount
Dairy Products		$3,679,158.80
Canned Fish		748,264.75
Meat Products		3,013,825.05
Fruits and Vegetables:		
Canned Fruit	$277,777.94	
" Vegetables	481,022.31	758,800.25
Fresh Fruit	31,177.97	
Fresh Vegetables	812,113.97	843,291.94
Dried Fruits		109,990.63
Cereal Products		7,958.23
Flour		1,087,849.59
Rice		4,603,418.99
Feed		2,599,873.38
Seed		45,744.35
Miscellaneous Supplies		954.66
Grand Total		$17,499,130.62

(c) SALARIES AND EXPENSES, AGRICULTURAL ADJUSTMENT ADMINISTRATION (AGRICULTURAL MARKETING ADMINISTRATION)

The budget schedule reflects obligations incurred in fiscal year 1942 under an allotment to the Agricultural Marketing Administration from the appropriation under this heading for administrative expenses for carrying out the provisions of the Agricultural Marketing Agreement Act of 1937 and for special services in connection with the revision and promulgation of certain specifications for processed fruits and vegetables for the Federal Specifications Executive Committee.

The latter project was completed in the 1942 fiscal year. The Marketing Agreement Activities are being financed from the appropriation "Exportation and Domestic Consumption of Agricultural Commodities" for the 1943 fiscal year, and will likewise be financed in 1944.

(d) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES (AGRICULTURAL MARKETING ADMINISTRATION)

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. For specialized service and case work in connection with adjustment of freight rates for farm products	$62,359	$68,662	$68,662	- -
2. For economic studies and other activities of the Consumers' Counsel Division	- -	102,000	- -	-$102,000
Unobligated balance	6,901	- -	- -	- -
Total Allotment	69,260	170,662	68,662	-102,000

DECREASE

The decrease of $102,000 in this item for 1944 (together with an allotment from "Sugar Act"--see note (c) following) will be offset by a transfer to "Exportation and Domestic Consumption of Agricultural Commodities" from "Salaries and expenses, Agricultural Adjustment Administration." The Budget schedule includes an allotment of $102,000 in 1943 to the Agricultural Marketing Administration from the appropriation under this heading. This allotment is for the purpose of financing, in part, the economic studies and other activities of the Consumers' Counsel Division. Prior to the fiscal year 1943 the Consumers' Counsel has been financed primarily from funds appropriated under the title "Salaries and expenses, Agricultural Adjustment Administration." For the fiscal year 1944 the Budget schedule under the

appropriation "Exportation and Domestic Consumption of Agricultural Commodities, Department of Agriculture, (Agricultural Marketing Administration)" includes a transfer of $175,000 from "Salaries and expenses, Agricultural Adjustment Administration" for this purpose.

WORK UNDER THIS APPROPRIATION

Objective: To increase returns to producers by securing adjustment of freight rates on farm products.

The Problem and its Significance: Neither the individual farmer nor farm cooperative associations have the facilities to examine and present before the Interstate Commerce Commission the producer's point of view on such highly technical problems as freight rates, charges, tariffs, and practices relating to the transportation of farm products from farm to market.

Cost of transporting produce from farm to market is the largest single item of expense for producers in marketing their products. With constant pressure being exerted by railroads for higher rates, it is vital that competent authority be available to safeguard the interests of producers. Likewise, the overburdening of our transportation facilities during the present emergency requires every effort to avoid unnecessary controversy and continued smooth operation of the system of rates and charges.

General Plan: Persons familiar with the Nation's transportation system watch marketing developments closely to determine whether adjustments should be made in rates pursuant to changes in the volume of goods, competitive situations and new systems of marketing. Surveys of tariffs and transportation practices are constantly underway; close relationships are maintained with producer's associations in all parts of the country, and data is prepared on producer's transportation problems for presentation before the Interstate Commerce Commission, the Office of Defense Transportation and related agencies. Legal work in connection with these problems is handled by the Solicitor's Office in the Department.

Progress and Current Program: During the fiscal year 1942 the following activities, among others, were undertaken in connection with this project:

(1) Continuous consultation with railroad officials, the Office of Defense Transportation and other agencies was required in efforts to speed up the movement of goods and insure the most efficient utilization of available transportation facilities.

(2) Rates were reduced on grain shipments between certain mid-western points, and special intransit privileges for grain were obtained to help alleviate the critical shortage of storage space in some areas.

(3) Tariffs for transcontinental shipment of apples were reduced in order to provide new outlets for apples formerly exported.

(4) Rate reductions were obtained on the shipment of California-Arizona cotton to distant points.

(5) Following a general rise in railroad wages, successful efforts were made to limit the increased rates demanded by railroads to compensate for increased costs.

(6) Reductions were obtained in rates for shipment of Maine potatoes.

(7) Numerous other reductions, including shipments of rice from Arkansas, Louisiana, and Texas, cheese in transcontinental shipment, crimson clover in transcontinental shipment, eggs from Nebraska and Iowa to Chicago and in transcontinental shipment, citrus from California-Arizona to the Pacific Northwest, etc. were obtained.

(8) Many transportation practices, such as the handling of livestock in transit, were investigated and representations made.

(9) Much information and advice was furnished farmers and farmers associations as to rates, practices and other aspects of their marketing problems.

(c) ADMINISTRATION OF THE SUGAR ACT
(AGRICULTURAL MARKETING ADMINISTRATION)

The budget schedule reflects an allotment in 1943 from the "Sugar Act" to the Agricultural Marketing Administration for the purpose of conducting economic studies relative to consumer food problems. During the 1944 fiscal year Consumer Counsel activities will be financed by a transfer of funds from "Salaries and expenses, Agricultural Adjustment Administration," as explained in the note under (d) preceding.

(f) FOREIGN WAR RELIEF, (ALLOTMENT TO AGRICULTURE,
OFFICE OF THE SECRETARY)
(AGRICULTURAL MARKETING ADMINISTRATION)

Under Section 40 of the Emergency Relief Appropriation Act, fiscal year 1941, the sum of $50,000,000 was appropriated for the purchase and distribution of supplies "for the relief of refugee men, women and children who have been driven from their homes or otherwise rendered destitute by hostilities or invasion." The availability of these funds for subsequent fiscal years has been extended from time to time by Congress. Of this amount, $10,000,000 was allocated to the Department of Agriculture for the purchase of agricultural commodities. The Act further provides that such materials and supplies are to be distributed by the President through the American Red Cross or such governmental or other agencies as he may name. Executive Order 8495 designates the Department as the agent to purchase agricultural commodities for delivery to the Red Cross. Agricultural supplies are purchased from government-owned stockpiles or on the open market at the request of the Red Cross and delivered to the designated port of embarkation.

Agricultural commodities or products thereof which have been purchased from the beginning of the program through January 31, 1943, are shown below:

COMMODITY		VALUE
Dairy Products:		
Milk, (various forms)		$3,989,447.74
Livestock Products:		
Lard		496,473.74
Vegetable Oils and Products:		
Oleomargarine		52,558.00
Fruit and Vegetable Products:		
Dried Fruit		153,253.95
Canned Fruit Juices		41,216.36
Grain, Feed and Seed:		
Grain: Beans (dried)		79,806.54
Wheat		267,247.80
Rice		227,093.90
Processed Grain:	Flour	1,558,934.81
	Wheat, cracked meal, etc.	681,368.72
	Rye	96,124.56
	Samples (various)	89.65
	Oats, rolled	42,609.57
Seed: Garden		50,666.91
Miscellaneous:	Soups, canned and dehydrated	25,584.45
	Miscellaneous handling costs	15,970.92
Special Commodities:		
Cocoa		152,118.49
Sugar cubes		51,660.00
Syrups		227,819.91
Commodities other than food:		
Cotton		2,256.98
Blankets, cotton		148,742.90
Bags, paper		2,753.50
	TOTAL	8,363,799.40

(g) EMERGENCY FUND FOR THE PRESIDENT, NATIONAL DEFENSE (ALLOTMENT TO AGRICULTURE) (AGRICULTURAL MARKETING ADMINISTRATION)

The budget schedule reflects obligations incurred in the 1942 fiscal year under a special allotment from the above appropriation for the decentralization of certain activities from the District of Columbia. Activities moved include one unit of the Packers and Stockyards Division to Kansas City, Missouri; a part of the work of Collecting and Compiling Cotton Statistics (Cotton Branch) to Dallas, Texas; Program Accounting Activities (Fiscal Branch) to New York City, New York; and a part of the work of the Commodity Exchange Branch to Chicago, Illinois.

(h) WORKING FUND, AGRICULTURE, CONSUMERS' COUNSEL, AGRICULTURAL MARKETING ADMINISTRATION, (ADVANCE FROM OFFICE FOR EMERGENCY MANAGEMENT)

The budget schedule reflects the administrative expense funds transferred to the Consumers' Counsel Division of the Agricultural Marketing Administration from the War Production Board. The purpose of this project was to assist in a program sponsored by the Division of Civilian Supply (War Production Board) to enforce Section 7 of Executive Order No. 8875 insofar as it relates to food, and to enable the Consumers' Counsel Division to continue unimpaired its current studies, and collection of data on certain phases of food problems.

(i) TRUST ACCOUNT, REDEMPTION OF ORDER STAMPS, (AGRICULTURAL MARKETING ADMINISTRATION)

The budget schedule reflects deposits, in trust in the Treasury of the United States, of funds received from local and State Welfare agencies in payment of orange food order and green cotton order stamps, and transfers from the general fund for blue food order stamps. These funds are currently made available for the redemption of such stamps by the Agricultural Marketing Administration in connection with the Food and Cotton Stamp plans. The Food Stamp plan is more fully explained under Project 1 "Exportation and Domestic Consumption of Agricultural Commodities." Reduction in fiscal year 1943 and proposed abolition in fiscal year 1944 of the Food Stamp Plan activities reflect similar changes in the trust account. The Cotton Stamp plan was discontinued the latter part of the 1942 fiscal year.

(j) SPECIAL DEPOSIT ACCOUNT, FEDERAL SURPLUS COMMODITIES CORPORATION (NORTHEASTERN TIMBER SALVAGE ADMINISTRATION), FUNDS LOANED BY DISASTER LOAN CORPORATION

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Timber salvage operations, State of Connecticut	$18,945	$21,243	$7,789	-$13,454(1)
2. Timber salvage operations, State of Maine	137,959	38,189	- -	-38,189(1)
3. Timber salvage operations, State of Massachusetts	195,040	52,100	20,725	-31,375(1)
4. Timber salvage operations State of New Hampshire	788,891	542,467	156,014	-386,453(1)
5. Timber salvage operations, State of Rhode Island	8,197	2,866	- -	-2,866(1)
6. Timber salvage operations, State of Vermont	91,775	12,099	- -	-12,099(1)
Grand total obligations	1,240,807	668,964	184,528	-484,436(1)

DECREASE

(1) The decrease in this item for 1944 is brought about by completion of operations in the States of Maine, Rhode Island, and Vermont; and by curtailing greatly the operations in Connecticut, Massachusetts and New Hampshire, the purpose for which the loan was made having been achieved.

The budget schedule reflects the administrative and program expenses of the Northeastern Timber Salvage Administration, an organization within the Federal Surplus Commodities Corporation, engaged in salvaging timber in New England which was damaged by the hurricane. These activities are conducted and financed pursuant to a loan agreement between the Corporation and the Disaster Loan Corporation. Responsibility for the technical operation of this program has been delegated to the Forest Service.

(k) TRUST ACCOUNT, FEDERAL SURPLUS COMMODITIES CORPORATION PURCHASES FOR STATES

The budget schedule shows the status of the account transferred to the Procurement Division of the United States Treasury for the purchase of supplies for the Federal Surplus Commodities Corporation. It is expected that during the fiscal year 1943 the $45 balance of this account will be used either for the purchase of supplies or returned to the residual funds of Federal Surplus Commodities Corporation, the source from which it originally was transferred. No activity is contemplated under this account in the fiscal year 1944.

MARKETING SERVICE, AGRICULTURAL MARKETING ADMINISTRATION

(1) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1943	$163,500
Proposed transfers in 1944 estimates to:	
"Marketing Service, Agricultural Marketing Administration":	
Market News Service	-23,000
Market Inspection of Farm Products	-9,000
Marketing Farm Products	-8,000
Tobacco Inspection and Tobacco Stocks and Standards Acts	-16,000
Perishable Agricultural Commodities, Produce Agency and Standard Containers Acts	-4,800
Cotton Statistics, Classing, Standards and Futures Acts	-18,000
Grain Standards Act	-15,400
Warehouse Act	-9,000
Federal Seed Act	-2,000
Packers and Stockyards Act	-10,000
Naval Stores Act	-1,000
Insecticide Act	-5,000
"Salaries and expenses, Bureau of Agricultural Economics":	
Crop and livestock estimates	-11,300
Total available, 1943	31,000
Budget estimate, 1944	- -
Decrease	-31,000

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. General administration and business service	$34,369	$31,000	- -	-$31,000(1)
Unobligated balance	1,704	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	36,073	31,000	- -	-31,000

DECREASE

(1) The decrease of $31,000 in this item for 1944 results in the proposed elimination of this item as a separate subappropriation. Executive Order No. 9069 combined the Surplus Marketing Administration, the Agricultural Marketing Service and the Commodity Exchange Administration into the Agricultural Marketing Administration.

CHANGE IN LANGUAGE

The estimates include a proposed change in language of this item as follows:

[General Administrative expenses: For necessary expenses for general administrative purposes, including personal services in the District of Columbia, $163,500.]

During the fiscal year 1942 the Surplus Marketing Administration, the Agricultural Marketing Service and the Commodity Exchange Administration were consolidated into a single unified organization. (Secretary's Memorandum, December 13, 1941, and Executive Order No. 9069, February 23, 1942.) Through the consolidation and reorganization, the administrative supervision of the Agricultural Marketing Service, hitherto financed from this subappropriation, became a part of the over-all management for the entire Agricultural Marketing Administration. Therefore, the item of "General administrative expenses" of the former Agricultural Marketing Service does not properly reflect the over-all administration in the new organization and it is deemed desirable to apportion this item back to the functional subappropriation items. Through the reorganization of Surplus Marketing Administration, Agricultural Marketing Service and Commodity Exchange Administration into a single organization it is found that economies can be effected in the over-all management of the marketing service activities resulting in a saving of $31,000. Therefore the general administrative item of $163,500 (less $11,300 transferred to the Bureau of Agricultural Economics pursuant to Executive Order 9069) has been reduced $31,000 and the balance distributed over the subappropriation items under the main heading, Marketing Service, Agricultural Marketing Administration.

(m) MARKET NEWS SERVICE

Appropriation Act, 1943	$1,118,655
Proposed transfer in 1944 estimates from "General administrative expenses"	+23,000
Total available, 1943	1,141,655
Budget estimate, 1944	1,084,570
Decrease	-57,085

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Market news on livestock, meats and wool	$471,981	$463,980	$440,810	-23,170 (1)
2. Market news on fruits and vegetables	444,125	437,125	414,710	-22,415 (1)
3. Market news on dairy and poultry products	130,669	129,670	124,670	-5,000 (1)
4. Market news on grain, hay, feed, seed, rice, hops and beans	73,656	72,650	70,150	-2,500 (1)
5. Market news on cottonseed	18,994	18,230	17,230	-1,000 (1)
6. Cold storage reports	22,000	20,000	17,000	-3,000 (1)
Unobligated balance	870	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	1,162,295	1,141,655	1,084,570	-57,085

DECREASE

(1) A decrease in working funds of $57,085 in this item for 1944 will be met by reduction in the number of market news offices and a general reduction in the market news work, distributed by projects as indicated above.

The livestock market reporting offices at Baltimore, Maryland and Buffalo, New York will be closed; the meat market reporting will be discontinued at Boston, Massachusetts; Chicago, Illinois; and Philadelphia, Pennsylvania; and curtailed at New York City, New York; the fruit and vegetable market news offices in Seattle, Washington; Cleveland, Ohio; and Detroit, Michigan; will be closed the dairy and poultry market reports at Philadelphia, Pennsylvania and Portland, Oregon and the Federal-State dairy and poultry services at New Orleans, Louisiana will be discontinued.

Other changes which will be made will include:

(1) A reduction in the amount of market news released on grain, feed, and seed data at Chicago, Illinois, and Atlanta, Georgia.

(2) A decrease in the amount of information on cotton seed in Memphis, Tennessee; Atlanta, Georgia; and Dallas, Texas.

(3) A curtailment of reports on cold storage holdings.

WORK UNDER THIS APPROPRIATION

Objective: To furnish accurate, timely and complete information on market receipts, supplies, prices and general conditions in order to facilitate the most efficient use of available supplies and facilities by both producers and buyers.

The Problem and its Significance: The market news service is an essential part of the food program of the Nation. It supplies the only official information on market supplies, condition and price. By so doing it permits the efficient utilization of our marketing resources and helps to prevent glutted markets, overburdened transportation lines and consequent spoilage of agricultural products. The service was developed as a war measure during the first World War and is proving of greater importance in the present war because the magnitude of the job is now far greater.

Efficient utilization of our limited transportation facilities depends on complete and detailed information regarding the movement of goods from farm to market. Purchases for both the armed forces and for shipment to the United Nations are greatly simplified when such information is available, not only in terms of totals but according to important producing areas particularly for the more perishable products. Much of the information provided by the market news service is flashed over the leased wires of the Army connecting thirty buying stations throughout the country. Similarly purchases of food for Lend-Lease must be predicated upon accurate and timely information in order to disturb as little as possible the normal movement of farm goods. In addition to providing invaluable information to governmental purchasers, the information supplied assists in increasing returns to producers by letting them know when to market their products, at what market and in what quantities in order to be assured of the most favorable price.

General Plan: Market news is issued under six categories: (1) Livestock, meats and wool; (2) fresh fruits and vegetables; (3) dairy and poultry products; (4) grain, hay, feed, seed, etc.; (5) cottonseed; and (6) cold storage reports. The plan of work is generally similar under the first five projects. Market reporters physically located in the important market centers are on the job during the active marketing hours to collect the latest information on receipts, prices, and general conditions and submit it immediately to local newspapers and radio stations. In addition, the news is flashed to other cities for compilation into regional and national summaries. The work carried on under project six, cold storage reports, consists of periodic reports on cold storage holdings of foodstuffs. These reports furnish not only information regarding stocks on hand but report also on the availability of storage facilities and the extent to which such facilities are being used.

Examples of Progress and Current Program: The importance of timeliness in the issuance of market news is evidenced by the decrease in mimeographed reports and the increase in the use of the radio. Approximately 500 radio stations contributed nearly $1,000,000 worth of time to the presentation of market news broadcasts during the past year.

The market news service has an extensive list of users. Both the Army and Agricultural Marketing Administration are guided by it in making purchases. On the basis of the information it provides, Victory Food Specials are selected. The Office of Price Administration is making extensive use of the service in its price fixing activities. The Departments of Commerce and Justice, the Tariff Commission, Interstate Commerce Commission and War Production Board all use the information in their respective war duties.

The market news service provided an extremely important service in connection with the 1942-1943 hog marketing problem. It provided the information necessary to obtain an orderly marketing and distribution of the crop of spring pigs. In addition to the regular market information, current receipts, market conditions, etc. market reporters on twelve important markets will supply information on the probable number of hogs held over, accumulation in stockyards and packer holding pens, percent of capacity at which slaughter plants are operating, hours or days required to slaughter available supply, extent of shipper demand and areas to which hogs are being shipped and advance estimates of saleable and total receipts for the next day. This information is facilitating orderly marketing and in addition will provide the operating basis for handling the allocation of shipments should mandatory regulation on the movement of hogs be necessary.

(n) MARKET INSPECTION OF FARM PRODUCTS

Appropriation Act, 1943	$468,837
Proposed transfer in 1944 estimates from "General administrative expenses"	+9,000
Total available, 1943	477,837
Budget estimate, 1944	450,430
Decrease (including decrease of $3,700 travel funds returned to surplus)	-27,407

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Inspection and certification of fresh and processed fruits and vegetables	$327,784	$324,500	308,793	-$15,707 (1)
2. Grading and certification of dairy and poultry products	52,096	56,000	52,500	-3,500 (1)
3. Inspection and certification of rice, hay, beans, peas and seed	32,882	33,500	32,000	-1,500 (1)
4. Grading and certification of meats	31,098	35,000	33,000	-2,000 (1)
5. Inspection of cottonseed	20,893	25,137	24,137	-1,000 (1)
Covered into Treasury in accordance with Public Law 674	- -	3,700	- -	-3,700
Unobligated balance	5,337	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	470,090	477,837	450,430	-27,407

DECREASE

The decrease of $27,407 in this item for 1944 consists of a decrease of $3,700 in travel funds (returned to surplus in 1943) and:

(1) A decrease of $23,707 distributed by projects, as indicated above. This reduction will be met by (a) closing the fruits and vegetables inspection offices, and discontinuing inspection services at Indianapolis, Indiana; Memphis, Tennessee; Hartford, Connecticut; Houston, Texas; and Portland, Oregon, and (b) reducing the service at Detroit, Michigan; reducing cottonseed inspections at Memphis, Tennessee. The services of seven inspectors and two clerical employees will be discontinued.

WORK UNDER THIS APPROPRIATION

Objective: To provide shippers, buyers and other interested parties with impartial inspection and certification as to class, quality, and condition of farm products when received at important central markets or offered for interstate shipment. The buyer and seller are thus able to negotiate with uniform specifications and terms whereby the exchange can be consumated on a fair and impartial basis.

The Problem and its Significance: To complete a satisfactory contract or agreement, both buyer and seller must fully understand the quality of the product being exchanged. With the scattering of markets made possible by present day transportation and communication, one of the most important

problems in marketing is the provision of some means whereby products can be accurately and impartially described. An inspection certificate issued under this project provides both buyer and seller with evidence of an impartial examination of the products it covers.

Work under this appropriation has increased enormously to meet the increased demand for inspection on the part of Governmental purchasing agencies. Lend-Lease food purchases are being made at the rate of approximately $5,000,000 a day. To the end of November, 1942, the Agricultural Marketing Administration had purchased more than 300 products at a cost of almost $2,000,000,000. The law provides that all Federal food purchases must be inspected and certified as to grade, quality and condition before payment is made.

A large volume of various foods are inspected for the Navy and Army while many state purchasing agents have utilized the service for years. All sales of farm products should take place on the basis of some understanding as to the quality of the product. Where this understanding is based upon an inspection certificate issued by the Department of Agriculture, that certificate constitutes an assurance to the parties to a contract of the quality or description of the produce offered for sale.

Another activity which is largely dependent upon grades established under this project is the price control function of the Office of Price Administration. Federal grades were adopted by the Office of Price Administration in recent orders directing the sale of certain foods under price ceilings according to grade. As price regulation expands, the demands for inspection and grading service undoubtedly will increase.

This service came into prominence during the first World War and has grown steadily ever since. It has been the means whereby farmers have been assured of payment on the basis of the quality of the produce marketed. It is also an important factor in the administration of the Perishable Agricultural Commodities Act and Produce Agency Act. The marketing agreement program of the Department for fruits and vegetables is based upon the grading service. The inspection program has become thoroughly integrated in the marketing process and now, during the war, is assuming even greater national significance because, under war regulations, it is becoming necessary to carry the principle of uniform national grades all the way from producer through to retail outlets.

General Plan: The work is carried on in cooperation with state agricultural agencies. Funds provided in this appropriation are used almost entirely for supervisory purposes. A corps of supervising inspectors coordinates the work of the inspectors throughout the country. During the past year the tremendous volume of inspection for the military establishments, Lend-Lease, state and municipal governments and commercial concerns necessitated doubling and in some instances, trebling the number of inspectors to be supervised.

Revenue: Inspection and grading work under this appropriation is permissive in character; inspections are made only at the request of interested parties. The appropriation act provides that a reasonable fee, reflecting as near as possible the cost of the service performed, shall be charged. During the past year the fees deposited into the Treasury amounted to approximately 92% of the fund appropriated for this work.

Examples of Progress and Current Program: Market inspection of farm products has greatly increased during the past year. Much of this increase relates directly to purchases of food products for the expanding armed forces, and purchases under the authority of the Lend-Lease Act. It is anticipated that this work will continue to increase during the coming year in proportion to the steady expansion of our armed forces and increased Lend-Lease needs.

Notable developments in the regular commercial work carried on under this appropriation have occurred. Fresh fruit and vegetable inspection reached an all time high of 556,806 cars and inspection of fresh fruits and vegetables delivered at canning plants increased from approximately 886,000 tons in 1941 to 1,304,000 tons during 1942. Added emphasis on dehydration of vegetables will probably result in further increases during the coming season.

The number of factories utilizing the continuous inspection services on canned fruits and vegetables has increased from 20 to 52. This service provides for official grade statements on the labels of canned fruits and vegetables. This in turn reflects benefits to the producer in payments commensurate with the product, and is directly related to price control measures.

Increased interest in the field of dairy and poultry products is reflected in the greater volume of eggs and butter marketed under certificates of quality. All live poultry at the newly opened New York City Live Poultry Terminal must be sold on the basis of United States grades. The inspection of American cheese during the past year increased nearly eight-fold from approximately 44,500,000 pounds to nearly 340,000,000 pounds.

During the fiscal year 1942, meat grading activity reached the highest levels yet recorded, an increase of nearly 297,000,000 pounds, or about 33 percent more than that of the previous year.

The entire list of commodities inspected since March 1941 includes over 300 separate items. The following table includes some of the products for which comparable figures are available for the two fiscal years 1941 and 1942. A number of the more important items not included in the table but which the inspection forces were called upon to handle for Lend-Lease and other purchase programs are as follows:

	Inspected 3/15/41 to 8/31/42
Army rations	11,981,868 lbs.
Canned meats	759,204,272 lbs.
Fat backs	100,509,650 lbs.
Frozen pork loins, kidneys and livers	74,523,683 lbs.
Army biscuit	28,377,678 lbs.
Flour	1,735,448 lbs.
Corn starch	335,916,496 lbs.
Sugar	253,792,755 lbs.
Clover and grass seed	19,460,488 lbs.
Fish liver oil (Vitamin A)	15,350,590 M units
Edible salad oils	99,273,011 lbs.

MARKET INSPECTION OF FARM PRODUCTS

Volume of Inspections

Products Inspected	Fiscal Year 1941	Fiscal Year 1942
Fresh Fruits and Vegetables:		
Shipping points (cars or carlot equivalent)	498,731	506,238
Receiving Markets (cars or carlot equivalents)	46,107	50,568
Processed fruits and vegetables (Number of gradings)	14,203	113,600
Dairy and poultry products:		
Butter graded (pounds)	278,147,546	324,622,775
Cheese graded (pounds)	44,496,181	339,662,431
Eggs graded (cases)	3,296,927	5,498,316
Dressed Poultry, graded (pounds)	22,286,414	26,373,765
Dressed Poultry, inspected (pounds)	77,241,536	118,337,956
Live Poultry, graded (pounds)	1,133,461	1,149,707
Dressed turkeys, graded (pounds)	46,678,648	50,772,133
Frozen eggs, inspected (pounds)	266,830	2,197,980
Frozen eggs, graded (pounds)	21,700,348	66,602,398
Dry skim milk, graded (pounds)	30,603,939	184,802,088
Evaporated milk, graded (pounds)	204,212,676	1,630,655,761
Dried Eggs, graded (pounds)	944,418	138,895,716
Rice (hundred-weight)	4,484,482	6,097,645
Hay (number of inspections)	9,590	12,402
Beans, dry edible (100 lb. bags)	5,231,000	5,404,000

Products Inspected	Fiscal Year 1941	Fiscal Year 1942
Peas (100 lb. bags)	1,027,000	2,676,000
Seed (pounds) (dockage inspection of hay, timothy and sweet clover)	5,498,000	9,941,000
Meats: (pounds)		
Fresh frozen:		
Beef	631,427,662	922,891,019
Veal and calf	8,468,085	9,986,062
Lamb and mutton	28,608,279	35,965,655
Pork	9,872,573	54,866,215
Cured:		
Beef	1,663,211	2,172,544
Pork	11,745,190	420,297,077
Manufactured:		
Lard and lard substitutes	1,643,626	596,825,466
Cottonseed (samples analyzed)	56,793	52,110

(o) MARKETING FARM PRODUCTS

Appropriation Act, 1943	$367,450
Proposed transfer in 1944 estimates from "General administrative expenses"	+8,000
Total available, 1943	375,450
Budget estimate, 1944	355,250
Decrease (including decrease of $1,500 travel funds returned to surplus)	-20,200

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
Standardization and marketing research on:				
1. Fresh and processed fruits and vegetables	$62,452	$54,850	$51,850	-$3,000 (1)
2. Livestock, meats and wool	80,450	70,500	69,000	-1,500 (1)
3. Dairy and poultry products	24,394	20,000	18,500	-1,500 (1)
4. Grain, rice, beans, peas, hay and seed	93,393	88,100	83,400	-4,700 (1)
5. Cotton	146,093	140,500	132,500	-8,000 (1)
Covered into Treasury in accordance with Public Law 674	- -	1,500	- -	-1,500
Unobligated balance	2,898	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	409,680	375,450	355,250	-20,200

DECREASE

The decrease of $20,200 in this item for 1944 consists of $1,500 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $18,700 to be distributed by projects as indicated above. The reductions will be met by curtailing the development of new grade standards for fruits and vegetables; reducing the volume of information on livestock, meats, and wool released from Chicago, Illinois; restricting special assistance to inspectors engaged in grading dairy and poultry products; reducing the research and testing work on grain and hay conducted at Beltsville, Maryland; and closing one cotton spinning laboratory. The services of four specialists and four clerical employees will be discontinued. Present demands for specifications for the purchase of new and unusual products, and for laboratory testing of food and fiber to solve urgent wartime problems promptly, are being met by redirecting the work of those engaged in the regular program of standardization research.

WORK UNDER THIS APPROPRIATION

Objective: The grade specifications formulated by the technical personnel provided for under this appropriation constitute the basis for the farm products inspection work. The investigational work that has been carried on in connection with the development of quality specifications has saved much time and effort in carrying out the war programs. It has been necessary to answer frequent requests for assistance in establishing specifications on many new products essential to the war effort.

The Problem and its Significance: Uniform standards and grade specifications are fundamental requirements for efficient marketing. They reduce confusion, waste and chicanery and permit uniform description and inspection in all parts of the country. The grades are thus the common denominator by which marketing transactions may be consummated.

The importance of grades on a national and international basis is emphasized under present conditions that demand conservation of food, transportation and marketing facilities. Food properly packed and handled eliminates waste of the product itself as well as the time required in handling.

Uniform grades are necessary in any scheme of price control or rationing. A fixed price for beef, for example, means nothing unless there is also a description of the quality of beef to which the price applies. A person who is allowed to buy only a limited quantity of a given product has some right to expect protection in the quality of the product offered, while the farmer who produces the food is certainly entitled to receive a price commensurate with the quality of the product he offers for sale.

General Plan: The work is carried on along commodity lines, each of five groups of workers dealing with a group of related commodities as follows: (1) fresh and processed fruits and vegetables; (2) livestock, meats and wool; (3) dairy and poultry products; (4) grains, hay, beans, and seed; and (5) cotton.

The basic plan of work is the same for all commodities. Tests and studies are made with a view to establishing grade specifications for farm products or revising those already in existence to meet present needs. Samples of products are sent to laboratories for anaylsis and when standards have been formulated, demonstrations are given in their use.

Progress and Current Program: The war and the necessity for conservation of shipping space has resulted in greater emphasis on the dehydration of foods. Specifications have been prepared for dehydrated vegetables including potatoes, sweet potatoes and yellow turnips. In addition special specifications have been drawn up for dehydrated and dry concentrate soups, dried eggs and dry milk. Increased emphasis on dehydration of meat will require new specifications for this commodity.

Where grade specifications were not already available, standardization specialists have been pressed into emergency service. For example, specifications used for the purchase of some 245,000,000 pounds of dried eggs, 1,056,280,000 pounds of canned meats, 1,765,000 gallons of orange juice concentrate and a large number of other specialized products are special tasks which the standardization specialists have handled in recent months.

The cotton laboratories have provided the War Department with much information on the character of cotton best adapted for barrage and man-carrying balloons, airplane fabrics, and other light weight, high strength fabrics, manufacture of machine gun cartridge belts, army uniforms, fabrics for parachutes and a great many similar technical items. The ability of the technologists to provide this information on short notice saved months of investigation that would have otherwise been necessary. Many new problems have arisen as a result of the unusual wartime conditions. The trained technicians have been called upon to handle special types of work or to supervise inspections under new conditions. One of the outstanding examples is the extensive work which has been done by the cereal chemists in the grain standardization laboratory where practically all of the tests on vitamin products and specialized cereal products purchased under Lend-Lease have been conducted.

Meanwhile, revised standards have been issued for citrus fruits, peas, potatoes, strawberries, live poultry, American cheese, soybeans, dry edible beans and milled, brown and rough rice. New standards were issued for beets, carrots, freestone peaches, and internal quality for sweet oranges.

During the past year the general policy has been to meet as many of the urgent wartime problems as possible with the facilities available. As previously indicated this special work has frequently been associated closely with the regular program of standardization but where this has not been the case, the work has been redirected in order to meet the urgent wartime problems promptly. The outlook for the coming year is for an increasing volume of work of this character.

(p) TOBACCO INSPECTION AND TOBACCO STOCKS AND STANDARDS ACTS

Appropriation Act, 1943	$850,000
Proposed transfer in 1944 estimates from "General administrative expenses"	+16,000
Total available, 1943	866,000
Budget estimate, 1944	812,530
Decrease (including decrease of $10,707 travel funds returned to surplus)	-53,470

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Administration of the Tobacco Inspection and Tobacco Stocks and Standards Acts	$672,096	$855,293	$812,530	-$42,763(1
Covered into Treasury in accordance with Public Law 674	- -	10,707	- -	-10,707
Unobligated balance	9,479	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	681,575	866,000	812,530	-53,470

DECREASE

The decrease of $53,470 in this item for 1944 consists of $10,707 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $42,763 made possible due to inability to secure sufficient inspectors to inspect all flue-cured markets, as contemplated by the increase in this appropriation for 1943. It is expected, however, that it will be possible to secure most of the requisite additional inspectors for 1944, so that progress can be made towards covering most of the flue-cured markets.

WORK UNDER THIS APPROPRIATION

Objective: To assist tobacco growers to obtain better returns for their tobacco, according to the quantity produced. This is accomplished by providing (1) uniform standards which may be used by farmers in preparing the tobacco for market, (2) official inspection at designated markets at time of sale, and (3) market information as a price guide to farmers in order that they may know whether a buyer's offer is fair.

The Problem and its Significance: Approximately 90 percent of the American tobacco crop, having an average annual value of $252,183,000 is sold at public auction. Tobacco of any type includes an extraordinary range of quality characteristics and values based on technical consideration with which the average farmer, as a rule, could never expect to become wholly familiar. Under these conditions, the problem becomes one of providing him with information upon which he can judge quickly and with accuracy whether or not the price offered for his product is in line with its quality.

In the absence of official inspection and price reporting, growers are completely without means to determine value according to quality and without a measuring stick for quality itself. It is conservatively estimated that average losses to growers from these factors alone aggregate from 5 to 10 million dollars annually. The problem of helping farmers market their tobacco, therefore falls into three general categories: (1) to provide standards for the measurement of quality in tobacco and methods of applying these standards on behalf of the producer at the time of sale, (2) to furnish a price reporting service by which the grower may be informed of current market values according to grades, and (3) through demonstration work with farmers, to assist them in the better preparation of their tobacco for market.

About one-third of the tobacco which farmers sell at below its market value is purchased by speculators who resell at the profit the farmer should have obtained. A large amount also goes to warehousemen who buy for house account, and to regular buyers capitalizing on the grower's lack of knowledge of the true value of his product.

The problem presented in preparing the quarterly stocks report required by the Tobacco Stocks and Standards Act, becomes one of obtaining accurate information from dealers and manufacturers as to the quantity and the character of tobacco held.

There are twenty-six types of American grown tobacco, and several types of foreign grown tobacco sold in the United States. The law requires separation of the holdings as to type and also as to certain groups of grades which have to do with the use of the tobacco for different manufacturing purposes. The significance of the quarterly stocks reports lies in the fact that the holdings of tobacco by dealers and manufacturers represent much more than half of the supply of tobacco at the time growers deliver their crops for sale. An accurate appraisal of the volume and quality of the existing supply is therefore indispensable to an understanding of conditions affecting the market.

General Plan: On markets designated for inspection under the Tobacco Inspection Act, a trained inspector examines each lot of tobacco prior to sale and indicates the grade on the basket ticket. Daily price reports are made available to the grower. In this way, he is in position to know, from a disinterested source, just what his tobacco is worth. He knows beforehand what price he should expect to receive and can make his decision within the time limit allowed him to accept the offer or to reject it and call for a resale.

Through practical demonstrations, usually on the farm, meetings with farm groups and organizations, the grades and handling methods are explained and demonstrated. In addition, the practical application of inspections and market reporting on the auction floor is demonstrated. Approximately 60 thousand farm people are contacted annually through these demonstrations. The results are apparent in an improvement in the quality of tobacco appearing on the auction floors and the wider use of price reports in the marketing process.

Examples of Progress and Current Program: During the fiscal year 1942, mandatory inspection service was inaugurated on 43 new markets. There are 142 auction markets, served by approximately 200 sets of buyers, and selling from 1 to 1.3 billion pounds of tobacco annually. The following table shows the progress made in providing mandatory inspection under Section 5, of the Tobacco Inspection Act:

Crop Year	No. Markets Inspected	No. of sets of buyers	Tobacco Inspected	
			Thousand Pounds	Percent of total Auction sales
1936-37	20	26	146,114	14
1937-38	22	28	208,234	15
1938-39	31	41	255,231	21
1939-40	41	58	465,000	28
1940-41	45	66	568,000	34
1941-42	88	114	698,000	63

In anticipation of the final approval of the increase carried in the 1943 appropriation bill, a referendum was held in late May, 1942 on 49 flue-cured markets. These referenda were carried as was the one dark air-cured market at Richmond, Virginia. With the passage of the appropriation act carrying the increase for this item, new personnel was and continues to be recruited so that the newly-designated markets will have adequate facilities for inspection and market news work when the marketing season opens.

Following are specific instances of how individual growers profit in the sale of their tobacco by the use of tobacco inspection and market news services:

> In the Burley district a farmer offered 316 pounds of tobacco for sale. The market average for the grade was $13.50 per hundred pounds. The price bid was $5.00 per hundred. The offer

rejected and the tobacco sold later by the farmer at $12.00 per hundred, which gave him a profit of $7.00 per hundred pounds, or an increase of 140 percent above that originally bid for the lot.

In the flue-cured district a farmer offered a lot of tobacco weighing 102 pounds. The market average for tobacco of that grade was $23.00 per hundred pounds. The lot was bid in at $12.50 per hundred. The farmer rejected the sale and when again offered, the tobacco sold at $22.00 per hundred pounds, which was an increase of $9.50 per hundred or 76% above the original offer.. On 1461 individual cases of sales and resales that have been tabulated, including those who profited and those who through unwise rejections lost money by resales, the average net gain was $3.26 per hundred pounds, or 19.1 percent increase.

(q) PERISHABLE AGRICULTURAL COMMODITIES, PRODUCE AGENCY AND STANDARD CONTAINER ACT

Appropriation Act, 1943:	
Perishable Agricultural Commodities and Produce Agency Acts	$175,585 (a)
Standard Container Act	10,400 (a)
Total appropriation, 1943	185,985
Proposed transfer in 1944 estimates:	
From "General administrative expenses"	+4,800
To "Office of Solicitor"	-2,500
Total available, 1943	188,285
Budget estimate, 1944	177,920
Decrease (including decrease of $1,000 travel funds returned to surplus)	-10,365

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Enforcement of the Perishable Agricultural Commodities, Produce Agency and Standard Container Acts	$164,281	$187,285	$177,920	-$9,365(1)
Covered into Treasury in accordance with Public Law 674	- -	1,000	- -	-1,000
Unobligated balance	1,814	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	166,095	188,285	177,920	-10,365

(a) The Budget Estimate provides for the consolidation of these two items.

DECREASE

The decrease of $10,365 in this item for 1944 consists of $1,000 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $9,365 to be met by: (1) Curtailment in checking commission merchants, dealers and brokers to determine whether they are complying with licensing requirements; (2) curtailment in servicing complaints; and (3) reducing the testing of containers required under the Standards Containers Act.

CHANGE IN LANGUAGE

The estimates include a proposed change in language of this item as follows (new language underscored; deleted matter enclosed with brackets):

> Perishable Agricultural Commodities [and], Produce Agency, and Standard Container Acts: To enable the Secretary [of Agriculture] to carry into effect the provisions of the Perishable Agricultural Commodities Act [entitled "An Act to suppress unfair and fraudulent practices in the marketing of perishable agricultural commodities in interstate and foreign commerce"], 1930, approved June 10, 1930, as amended (7 U.S.C. 499a-499r) and as further amended by the Act of April 6, 1942 (Public Law 516), [and] the Act [entitled "An Act] to prevent the destruction or dumping[, without good and sufficient cause therefor,] of farm produce [received in interstate commerce by commission merchants and others and to require them truly and correctly to account for all farm produce received by them"] and for other purposes, approved March 3, 1927 (7 U.S.C. 491-497), [$175,585] the Standard Baskets Act, approved August 31, 1916, as amended (15 U.S.C. 251-256), and the Act to fix standards for hampers, round stave baskets, and splint baskets for fruits and vegetables, and for other purposes, approved May 21, 1928 (15 U.S.C. 257-257i), $177,920.

These language changes bring together in one item the subappropriations "Perishable Agricultural Commodities and Produce Agency Acts" and "Standard Container Acts" with no change in the separate authorities as carried in the 1943 Appropriation Act.

This combination of subappropriation items is deemed desirable because it represents a merger of related functions relative to the supression of unfair and fraudulent practices in the marketing of fresh fruits and vegetables. All of this work is performed by the same personnel in the Fruit and Vegetable Branch of Agricultural Marketing Administration.

WORK UNDER THIS APPROPRIATION

Objective: To protect producers, handlers, and consumers against unfair and fraudulent practices in the marketing of fresh fruits and vegetables.

The Problem and its Significance: Because of the speed with which the fresh fruit and vegetable crop must be placed on the market, opportunities for fraud, misrepresentation, substitution and short measure are greater than in any other type of marketing; as a result, both buyers and shippers frequently attempt to evade provisions of their contracts, refuse to pay for produce delivered, or attempt to misrepresent the product offered or purchased. The great increase in such practices during World War I prompted demands for Federal intervention, and as a result of this agitation during and after the war, Congress enacted the Produce Agency Act, which prohibits the dumping of perishable commodities, the Perishable Agricultural Commodities Act, which requires the licensing of handlers and authorizes the Secretary to investigate fraudulent practices in the handling of produce and provide remedies therefor, and the Standard Containers Acts, which specify size and type of containers to be used and authorizes the Secretary to enforce the standards outlined. Conditions during the present war, with transportation, production and manpower difficulties augmenting the normal problems of the perishable market, have demonstrated the wisdom of these acts. Not only have the excesses which characterized the market for perishables during the first World War been prevented, but in addition great strides have been made in the direction of improving the speed and smoothness with which produce moves from the farm to the ultimate consumer. The creation of an orderly marketing system to replace the chaotic conditions formerly prevailing has had the substantial effect of increasing the quantity of fresh food available in the market place through reduction in waste due to spoilage, greater willingness of producers to place their products in the normal flow of commerce, confident that they will be treated honestly, and greater efficiency in the use of facilities as a result of a faster turnover of goods. The importance of established, orderly marketing procedures in a period of short supply can hardly be overemphasized, and the fact that both producers and handlers are acquiring greater confidence in the honesty of the Department as an enforcing agency is indicated by the increase in informal proceedings as against the institution of formal actions.

General Plan: Because of the similarity of the situations covered by the Produce Agency and Perishable Agricultural Commodities Acts, the enforcement of both is handled by the same personnel. This consists of a small corps of workers stationed at strategic markets throughout the country. Their functions are to interview applicants and to recommend to the Secretary the issuance of licenses, to investigate complaints under the acts, and to make surveys of compliance in general on the part of produce merchants. Because of the rapid turnover of persons engaged in the produce business, the number of new applications to be considered each year is large in spite of the fact that the total number of licensees remains relatively stable. Each new applicant requires special consideration. Complaints as to unfair practices may require only an informal understanding between the disputing parties, or the institution of formal proceedings and holdings

of hearings which may extend over several months. The types of actions arising under the acts generally fall into three categories. The first involves the issuance of reparation awards following the filing of formal complaints. Increasingly, however, this action is being superseded by a second type under which the disputing parties submit their dispute to the Secretary's representative for informal determination. During the past year, the number of cases adjusted in this manner increased 32 percent over the previous year. The third type of action involves the revocation or suspension of licenses, either as a result of violation of the act or failure to pay a reparation award.

Since funds are not available to maintain a staff of field workers, enforcement of the Standard Container Acts must depend upon the submission by manufacturers of samples of containers. These are examined in the Washington laboratory. When violations of the standards are discovered, the manufacturer is asked to change his design. If the request goes unheeded, formal action is instituted and the illegal containers seized.

Examples of Progress and Current Program: The volume of work carried on under this appropriation during the past two years is indicated by the following table:

	1941	1942
Perishable Agricultural Commodities Act		
Number of licenses in effect at end of fiscal year ..	19,770	19,039
Net license fees received and deposited	$200,833	$200,314
Number of complaints personally investigated	580	483
Number of formal decisions rendered by Secretary	253	250
Number of informal amicable settlements	744	984
Number of complaints received	2,341	2,188
Standard Container Acts		
Number of factories operating	329	331
Number of factories visited	35	59
Number of certificates of approval issued	46	15
Number of items manufactured (estimated)	1,638	1,694
Number of items tested	328	448
Number of infractions found	109	103
Number of individual samples tested	2,465	2,586

It is difficult to estimate the value of these acts to producers, handlers and the general public during normal years, and even more difficult to assess their usefulness in terms of dollars gained during unusual wartime conditions. The fact that there has been no repetition of the serious dislocations of the market which occurred during the first World War indicates that the acts are serving well the purpose for which they were intended. As with all regulatory acts, however, continued alertness is required if the Acts are to remain effective. As example of some of the cases which arise under the Act, the following are cited:

(a) A handler in St. Paul, Minnesota, threatened to reject a carload of apples unless the price was reduced 10 cents per box, claiming that the apples were ripe and mealy and showed decay. Investigation revealed that the apples were generally firm ripe with less than 1 percent decay. When the Secretary's representative interceded on behalf of the producer, the shipment was accepted and prompt remittance was made.

(b) A check of the accounting of a Chicago handler revealed discrepancies totaling $14,885 on 1700 carlot shipments from 41 shippers. Informal action on the part of the Secretary's representative resulted in complete restitution of the funds to shippers.

(c) A broker in Cleveland, Ohio, sold a carload of onions without authority, and remitted only a small part of the proceeds to the producer. Intercession by the Secretary's representative resulted in full payment.

(r) COTTON STATISTICS, CLASSING, STANDARDS, AND FUTURES ACTS

Appropriation Act, 1943:	
Cotton Quality Statistics and Classing Acts	$481,945
United States Cotton Futures and United States Cotton Standards Acts	492,483
Total appropriation, 1943	974,428
Proposed transfer in 1944 estimates from "General administrative expenses"	+18,000
Total available, 1943	992,428
Budget estimate, 1944	937,580
Decrease (including decrease of $5,500 travel funds returned to surplus)	-54,848

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Grade and staple estimates of the carry-over and the crop	$220,030	$221,000	$221,000	- -
2. Classification and information for groups organized for quality improvement	244,937	257,445	248,445	-$9,000(1)
3. Administration of the Cotton Futures and Cotton Standards Acts	481,530	508,483	468,135	-40,348(1)
Covered into Treasury in accordance with Public Law 674	- -	5,500	- -	-5,500
Unobligated balance	27,348	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	973,845	992,428	937,580	-54,848

DECREASE

The decrease of $54,848 in this item for 1944 consists of $5,500 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $49,348 to be distributed as shown above. The reductions will be met by closing the cotton classing offices at Savannah, Georgia; Charleston, South Carolina; Mobile, Alabama; and Galveston, Texas. Classing service for cotton improvement groups will be discontinued at Altus, Oklahoma.

CHANGE IN LANGUAGE

The estimates include a proposed change in language of this item as follows:

Cotton [Quality] Statistics, [and] Classing, Standards, and Futures Acts: To enable the Secretary [of Agriculture] to carry into effect the provisions of the Act [entitled "An Act] authorizing [the Secretary of Agriculture] him to collect and publish statistics of the grade and staple length of cotton[", approved] of March 3, 1927 (7 U.S.C. 471-476), as amended by the Act [entitled "An Act authorizing the Secretary of Agriculture to provide for the classification of cotton, to furnish information on market supply, demand, location, condition, and market prices for cotton, and for other purposes", approved] of April 13, 1937 (7 U.S.C. 471-476), [$481,945] and to perform the duties imposed upon him by Chapter 14 of the Internal Revenue Code relating to cotton futures (26 U.S.C. 1920-1935), and to carry into effect the provisions of the United States Cotton Standards Act, approved March 4, 1923, as amended (7 U.S.C., secs. 51-65), including such means as may be necessary for effectuating agreements with cotton associations, cotton exchanges, and other cotton organizations in foreign countries, for (1) the adoption, use, and observance of universal standards of cotton classification, (2) the arbitration or settlement of disputes with respect thereto, and (3) the preparation, distribution, inspection, and protection of the practical forms or copies thereof under such agreements, $937,580.

These language changes bring together in one item, the subappropriations "Cotton Quality Statistics and Classing Acts" and "U.S. Cotton Futures and U.S. Cotton Standards Acts" with no change in the separate authorities as carried in the 1943 Appropriation Act.

Legislation on cotton has been built up gradually over a period of years and as a natural consequence separate items and amounts have been added to the Appropriation Act as new activities were authorized. However, the programs have now become sufficiently crystallized to warrant combining into one item the activities formerly financed by the two separate subappropriations. The programs concerned are administered entirely by one branch, the Cotton Branch of Agricultural Marketing Administration.

WORK UNDER THIS APPROPRIATION

Objective: To provide for the assembling and distribution to all interested parties of official information on the grade and staple length of cotton carry-over stocks and of the crop; to encourage cotton quality improvement by providing classification and market information service for organized growers; to establish standards of cotton quality; to class all cotton offered for delivery in settlement of futures contracts; to supervise the quotation of commercial differences in designated spot markets; to disseminate information as to market prices and conditions; to facilitate the use of official cotton standards in all interstate and foreign transactions when cotton is sold according to any standard description by classing and supervising the classing of cotton.

The Problem and its Significance: When the quantity and quality of cotton produced from year to year is known, production may be more accurately adjusted to needs and farmers may concentrate on those qualities which may be grown and marketed to best advantage. Without such information, maximum effectiveness cannot be obtained in the production and marketing of those types of cotton that are best adapted to the needs of the cotton manufacturing industry and to the requirements of ultimate consumers of finished textiles. Cotton statistics provide each season a current picture of available supplies.

Experience has shown that the quality of cotton tends to deteriorate unless positive steps are taken to improve the crop. Without higher prices for better cotton, there is little incentive for farmers to plant improved varieties and to adopt other methods designed to improve quality. Provisions of cotton market news and cotton classification service to individual farmers places growers in a more advantageous marketing position and enables them to compare different varieties from the standpoint of quality and probable returns.

Before the inauguration of cotton standardization work in the Department, it was generally recognized that the lack of uniform standards for cotton was detrimental to cotton growers, handlers and manufacturers. Identical grade names were applied in different markets to cotton of different quality and price. The enactment of the several Cotton Futures and Cotton Standards Acts has resulted in the promulgation of a set of official cotton standards which is the required basis of all transactions in interstate and foreign commerce involving the sale of cotton and linters according to standard description. Both statutes provide for the sale of sets of the standards at prices fixed by the Secretary.

This standardization program provides uniform measures of quality for evaluating American cotton and linters for purchases, sales and manufacture;

it provides a basis for the cotton market news service, encourages the sale of cotton and linters on a quality basis, and tends to reduce the spread between producers' prices and those paid by manufacturers.

General Plan: Cotton quality statistics are obtained from the grading and stapling of cotton samples by trained cotton classers. Samples submitted voluntarily by ginners and others are acquired in the course of the regular free classing service for organized groups of growers or taken from cotton in storage. Information thus obtained is used as a basis for estimating the grade and staple length of the crop and the carry-over.

The organization of improvement groups is sponsored by county agents, ginners, state agencies, community leaders and field personnel of the Administration. Farmers in the groups commit themselves to plant some or all of their acreage to one approved variety. They are furnished with market news information and instructions for drawing and submitting samples for free classing. The samples received are graded and stapled and the necessary classification reports are prepared and supplied to individual growers.

Examples of Progress and Current Program:

Project 1. Grades and staple estimates of the carry-over and the crop: The availability of quality statistics makes it possible for manufacturers and Government agencies to plan intelligently the most effective utilization of available supplies in the war effort, to determine where certain qualities may be obtained, and to avoid or plan to meet shortages. Full knowledge of the quality of available cotton helps to increase the confidence of buyers in the product and encourage producers to concentrate their efforts on the varieties most in demand.

The following table indicates the trend of sampling for statistical purposes only:

Year	Samples
1938	1,031,288
1939	760,858
1940	788,642
1941	761,859
1942	423,000*
1943	600,000*

* Estimated

Statistics collected on the basis of these samples are presented in periodic reports issued for specified ginning periods for the several states and districts.

Project 2. Classification and information for groups organized for quality improvement: The classing and market news programs for groups organized for cotton quality improvement has become extremely popular since its inauguration, as a result of the passage of the Act of April 13, 1937.

The producer, knowing the grade and market price of his product, is in a favorable position in placing it on the market. In addition, he acquires considerable information concerning the availability and demand for certain varieties and is able to devote his time and effort to those qualities which bring the highest return. The following table indicates the growth of this service:

Season Beginning August 1	Number of Groups	Number of Members	Samples Classed
1938	312	18,589	83,592
1939	918	64,399	265,090
1940	1,573	128,216	1,530,764
1941	2,511	279,128	2,519,782
1942*	2,800	310,000	3,700,000
1943*	3,100	340,000	4,250,000

* Estimated

Funds appropriated for the classification of cotton for organized groups would not be sufficient except for the fact that the work is coordinated with other classes of service, including the classification of loan cotton for the Commodity Credit Corporation. This results in a substantial net reduction in all classifying costs. Even so, it has been found necessary to curtail educational work designed to inform farmers regarding the services. It is significant that the value of "loose" cotton from the classification for improvement groups totaled $163,000 in 1941-42 and for the current season this figure is likely to exceed $250,000. This "loose" cotton is turned over to the Federal Prison at Atlanta, Georgia.

The 1941-42 crop contained approximately 10 percent more cotton of 1-1/8 inch and longer staple than the crop of the previous year. Demand for long-staple cotton has been enormously increased by military needs, and in spite of the increased production, the possibility of a shortage exists. Had the cotton improvement program not been inaugurated, the shortage of long-staple cotton would already be critical.

Project 3. Administration of the Cotton Futures and Cotton Standards Acts:

(a) Preparation and distribution of official cotton standards: Huge quantities of lint cotton and cotton linters are being purchased by the Federal Government and by manufacturers as raw materials for numerous war uses. Determination of quality according to official standards is essential to the war effort, particularly for cotton shipped under the lend-lease program and that used in the manufacture of articles to meet army and navy specifications. In these transactions, the use of official standards has served notably to protect the public interest. These standards normally provide yardsticks of quality for all varieties of American cotton and linters for use in the classification of these products for producers, merchants, and manufacturers, as well as for various Government programs,

including Commodity Credit loans. They have likewise been indispensable in the establishment of price ceilings by the Office of Price Administration. The extent of distribution of official standards over the past two years has been as follows:

	1941	1942
Grade boxes	2,651	2,951
Staple length types	9,485	9,485

(b) Licensing and supervision of licensed classers of spot cotton: The volume of licensing and supervisory work over the past few years is shown in the following table:

	1940	1941	1942
Number of cotton classers licensed at end of fiscal year	1,751	1,026	691
Number of cotton linters classers licensed at end of fiscal year	40	58	67
License fees received	$10,430	$7,349	$5,197
Bales classified by licensed cotton classers	13614,846	5,636,857	9,179,461
Bales classified by licensed linters classers	12,500*	12,500*	51,869

* Estimated

The decrease in the number of privately employed licensed cotton classers has been more than offset by the increase in the number of classers who are employed by the Federal Government. One substantial shift, for example, has resulted from the Commodity Credit Corporation requirement that all cotton under its loan program be classed by Federal employees rather than by licensees.

(c) Classing spot cotton: In addition to licensing and supervising the work of non-Federal cotton classers, the Boards of Cotton Examiners and Cotton Linter Examiners do a large volume of actual classing work for the public generally, for manufacturers and other Government agencies. The volume of samples handled during the past few years is as follows:

	1939	1940	1941	1942
Public Classing Service	146,047	60,275	91,449	147,676
Commodity Credit Corporation	- -	153,426	2,725,428	1,005,224
Loan Cotton Exchange, Sales, Miscellaneous	296,955	237,818	31,073	534,295
Federal Surplus Commodities Corporation	27,931	106,112	411,708	24,980
Farm Security Administration	- -	2,426	26,390	- -
Total	470,933	560,057	3,286,048	1,712,175

The purchase and sale of cotton on the basis of accepted standards becomes increasingly significant during time of war because of the speed with which transactions must be handled and the generally disturbed condition of the market. The facts that standards have been available for a number of years and the machinery for applying them is in operation, have greatly simplified cotton market operations and served to protect the interest of the Government as a handler, as well as interests of producers. Among the uses to which the classing service has already been put are the sampling of cotton shipped under the lend-lease program and the certification as to quality of cotton used in the manufacture of war materials.

The classing work of the Board of Cotton Linters Examiners has likewise been affected by wartime needs. At present all cotton linters are being purchased by the Commodity Credit Corporation and must be classed. The War Production Board has required that all imported linters be sampled at ports of entry and classed by the Board. Only those shipments which are not suitable for war use by the chemical industry will be cleared for sale on the open markets. Ninety-two samples of mattress felts, representing over two million mattresses, were received from Federal agencies for determination as to compliance with contract specifications. In addition the Board issued 2,147 certificates giving the grade of 51,452 samples of linters, most of which went into the manufacture of munitions and other articles for the Army and the Navy. During the coming year the use of linters will be restricted almost entirely to war needs, and the continuation of new demands on the Board may be expected for the duration of the war.

Collections for this service during 1942 were $95,140, as compared with $86,974 for 1941.

(d) Classifying cotton for delivery on futures contracts: All cotton intended for delivery on futures contracts must be classed by employees of the Federal Government to insure that cotton delivered actually represents the quality invoiced and that over-valuations are avoided. Initial classifications made by the local Boards of Cotton Examiners are subject to review by the Cotton Appeal Board of Review Examiners. The volume of work over the past few years has been as follows:

	1940	1941	1942
Number of samples classed	94,296	110,638	118,570
Number of reviews	29,550	26,480	40,500
Fees collected	$32,470.75	$35,243.35	$43,224.75

(e) Supervision of commercial differences and disseminating market information: One of the continuing responsibilities in the administration of the Cotton Futures Act is the supervision of cotton price quotations in the ten designated spot cotton markets. Regular calls are made

at each of the designated markets by representatives of the Agricultural Marketing Administration to discover discrepancies or inaccuracies in quoted values and assist in their correction. Cotton exchanges located in the designated markets quote daily the price for middling 15/16 inch staple and the combined grade and staple premiums and discounts for grades and staples, the values of which are above and below the quoted price for middling 15/16 inch. Averages of the premiums and discounts (commonly known as commercial differences) for grades and staples quoted in the designated markets are used in the settlement of futures contracts bought and sold on the three American cotton futures exchanges.

During recent years the number of daily quotations has increased until now each of the ten designated markets is quoting values for two hundred different varieties of American upland cotton embracing the entire range of grade and staple lengths. These quotations, together with general information on the cotton situation, are transmitted to the public by direct mail, the press, and the radio. A summary of current cotton information is distributed each week from Atlanta, Memphis, Dallas, and El Paso; weekly radio programs are made available; in addition, futures and spot prices are furnished several times each day for distribution by press and radio and a summary of market activity is compiled at the close of each day. These reports are broadcast by nearly two hundred radio stations throughout the cotton belt. The following have been reached by direct mail:

	1941	1942
Farmers (including farm group representatives)	10,099	11,638
County Agricultural Conservation Association	--	3,327
Ginners	2,897	4,392
Buyers	1,295	1,172
County Agents	1,021	1,458
Other State and Federal Employees	1,327	1,525
Cotton Mills	602	458
Press and Radio	370	366
Other	1,195	1,217
Total	18,806	25,553

Reports of current prices insure the producer a favorable bargaining position in relation to buyers and speculative interests, and have proved invaluable in adjusting the cotton industry to wartime requirements. Extensive compilations of price figures have been made to aid in the formulation of price ceilings for cotton products. A comprehensive survey of domestic mill rates is now being made in anticipation of more extensive application of ceiling prices.

(s) UNITED STATES GRAIN STANDARDS ACT

Appropriation Act, 1943	$767,958
Proposed transfer in 1944 estimate from "General administrative expenses"	+15,400
Total available, 1943	783,358
Budget estimate, 1944	742,330
Decrease (including decrease of $1,962 travel funds returned to surplus)	-41,028

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Administration of the United States Grain Standards Act	$764,482	$781,396	$742,330	-$39,066 (1)
Covered into Treasury in accordance with Public Law 674	- -	1,962	- -	-1,962
Unobligated balance	8,269	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	772,751	783,358	742,330	-41,028

DECREASE

The decrease of $41,028 in this item for 1944 consists of $1,962 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $39,066 to be met by reducing the personnel of the grain supervision offices located in grain markets throughout the country.

Since the work is now being conducted with a minimum of personnel, this reduction will retard the handling of appeal inspections under the enforcement of the Grain Standards Act which provides that grain moving in interstate commerce shall be sold according to the United States grades.

WORK UNDER THIS APPROPRIATION

Objective: To provide a national grain inspection service; to establish Federal standards for use when grain is sold by grade in interstate commerce; to license inspectors to apply the standards; to supervise the work of all licensed inspectors; to handle appeals from original grade determinations; and to administer certain regulatory provisions designed to prevent fraud and misrepresentation in grain merchandising.

The Problem and its Significance: In terms of bulk and dollar value, the grain trade is one of the largest enterprises of American agriculture. Because it consumes such a substantial part of our transportation, warehousing and productive capacity, no effort should be spared to insure that the marketing of grain is handled expeditiously and efficiently. Delays in the loading or unloading of cars, congested terminal facilities and excessive cross-hauling may be substantially reduced by common standards and common terminology which permit ready agreement on terms and conditions of sale. The Grain Standards Act was designed to serve this purpose and to provide unbiased judgment as to quality on the basis of which efficient marketing could be conducted. The standards thus required by law in interstate transactions have been found generally useful and extended to cash and futures trading, warehousing, transportation, financing, price quotations, and export trade. They form a basic, integral part of the marketing of the Nation's grain crops, from the producer through the various channels of trade to the consumer or processor. Their value in promoting economical use of our overburdened marketing facilities during wartime is unquestionable.

General Plan: The application of the standards is, in the first instance, committed to licensed inspectors who work under the supervision of Federal employees. There are more than 400 such licensees, together with their sampler assistants, performing inspection service throughout the country. It is the task of the supervisors to make certain that the official standards are correctly and uniformly applied by all licensed inspectors throughout the country.

Boards of Review, acting also as Boards of Grain Supervisors, were established several years ago at Chicago, Illinois, and at Portland, Oregon. These Boards handle appeals from original certifications and review the work of the district supervisors to be certain that all supervisors and inspectors are following the same lines of interpretation and the same methods of grading and inspection. In performing this function, the Chicago Board reviews annually grain supervisors' determinations on approximately 25,000 samples of grain and a sufficient number of samples submitted by the Pacific Coast Board at Portland, Oregon to assure that their interpretations are in accord with those in the rest of the country.

Examples of Progress and Current Program: The volume of business conducted under the United States Grain Standards Act increased greatly during the past year. In addition to the growth of previous regular assignments, all of the personnel primarily engaged in the administration of the Act were called upon during the year to perform new functions connected with the handling of grain and related products for war activities.

Licensed grain inspectors issued 212,782 more certificates in 1942 than in 1941 -- an increase of 17 percent. Federal grain supervisors handled 10,992 more appeals than in 1941 -- an increase of 24 percent. At the close of the year there were 403 inspectors licensed to inspect grain under the United States Grain Standards Act, performing services at 137 established inspection points in 31 states.

Field supervisors inspected 173,345 lots of grain in cars, boats, elevators, trucks, and other containers. Of these lots 56,868 were appeals. The supervision coverage was somewhat less than in previous years because of the added work in connection with other war activities. The policy of constant and continuous attention to minor deviations by licensed inspectors and careful and regular testing of the equipment used, resulted generally in the prevention of serious errors in grading by licensees. Improvements in the inspection equipment in several of the markets resulted in higher inspection efficiency.

On the basis of a cooperative undertaking with the Food and Drug Administration, 1,452 notices were issued warning that the mixing of the grain covered by the notice, with grain of higher quality would constitute a violation of the Food, Drug and Cosmetic Act. This is a 66 percent increase over the number of notices issued last year.

In spite of adverse harvest conditions in certain areas and the movement of grain that had been held in storage until it deteriorated, no organized complaints on grain inspection or supervision were made during the year, except one by the Soybean Processors' Association on the method of determining the moisture content of soybeans. This complaint was based upon a misunderstanding of the regulations, and after public conferences, the Department promulgated a revision of the soybean standards.

The equipment unit has operated the past year under a well-rounded program designed to improve inspection accuracy by eliminating the nonuniformity which results from the use of faulty or poorly adjusted equipment. Special effort was given to the improvement of grain grading equipment in use by licensed inspectors. Several markets were visited during the year to investigate inter-market differences, and in this regard it was necessary to give personal attention to the adjustment of a large number of Federal dockage testers purchased by inspection departments.

The total number of inspections by licensed inspectors was higher than during either of the two previous years but was only slightly greater than the average total number of inspections per year during the last 15 years. The percentage of original inspections appealed to district supervisors and the percentage of board appeals showed little change from previous years. However, district supervisors were called upon to perform a large number of sampling and testing services beyond their regular program in connection with lend-lease purchases. Eighty different commodities related to the grain industry were sampled and inspected to insure their compliance with specifications. The supervisory force, built up over many years, was able to enter this new program promptly and efficiently, thus obviating the necessity of recruiting and training a new force to handle this activity.

The regular work of the supervisory force over the past two years was as follows:

Inspection, Appeals, and Volume of Grain	Fiscal Year 1941	Fiscal Year 1942
Number of bushels of grain inspected	1,944,430,000	2,268,340,800
Number of inspections by licensed inspectors	1,268,121	1,480,903
Number of appeals from licensed inspectors' grades	45,894	56,886
Number of Board appeals	646	882
Number of inspected lots supervised	189,075	173,345

(t) UNITED STATES WAREHOUSE ACT

Appropriation Act, 1943	$456,415
Proposed transfer in 1944 estimates from "General administrative expenses"	+9,000
Total available, 1943	465,415
Budget estimate, 1944	440,910
Decrease (including decrease of $1,300 travel funds returned to surplus)	-24,505

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Licensing and supervision of warehouses	$459,821	$464,115	$440,910	-$23,205 (1)
Covered into Treasury in accordance with Public Law 674	- -	1,300	- -	-1,300
Unobligated balance	2,289	- -	- -	- -
Total estimate, 1944 and comparable amounts, 1943 and 1942	462,110	465,415	440,910	-24,505

DECREASE

The decrease of $24,505 in this item for 1944 consists of $1,300 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $23,205 to be met by discontinuing all licensing and inspection of warehouses in the Pacific Northwest and discontinuing the acceptance of all applications for the licensing of additional facilities.

The discontinuance of service in the Northwest is preferable to any other section of the country, since the cost of supervision per bushel of grain handled through warehouses is greater in this area. This is due to the

fact that the warehouses are generally smaller than those in other sections of the country and do not handle, on the average, the tonnage handled by warehouses in other regions where grain is handled on a bulk basis almost exclusively.

WORK UNDER THIS APPROPRIATION

Objective: To create a nationally supervised system of safe storage for agricultural products by licensing, bonding, and examining public warehouses, in order to (1) facilitate financing during the marketing periods; (2) avoid losses due to improper storage; and (3) prevent illegal conversion of the products by persons to whom they were entrusted for safekeeping.

The Problem and its Significance: In order that Federal warehouse receipts issued under this Act may always be regarded as sound collateral by loan agencies, Federal supervision of licensed warehouses must be sufficiently vigorous and frequent to insure at all times that (1) outstanding receipts accurately reflect stocks on hand and weight, grade and quality of the products; (2) financial responsibility of the warehouseman has not been impaired; (3) facilities are in proper condition for storing products; (4) employees serving the warehouse are honest and competent; and (5) adequate insurance is carried with responsible underwriters.

The Government has called for huge increases in production of many farm and food products for our own use, the use of our military forces, and of our Allies. This production was sought not only to meet present needs but also in order that we may use these supplies to help in the time of reconstruction at the end of the war. Because of shipping difficulties and the natural time lag between production and consumption, it is necessary to build up large stores of commodities for future use. It would be an extremely short-sighted policy to use needed labor and materials in producing these products only to have them deterioriate or spoil in our warehouses. Therefore, it is imperative that careful inspection be made of our warehousing facilities and of the goods contained in them.

By inspecting these storage places, checking on the methods of handling, and actually inspecting the products from time to time, it is possible to avert serious physical losses. These inspections point out in advance deficiencies in buildings and unsatisfactory methods of handling which will lead to deterioration of the products, and thereby make it possible to correct the fault before the damage has occurred. This type of inspection is even more necessary now, when supplies are being held for long periods of time, than it was when they remained in storage only a short time. Furthermore, the people storing these large quantities of merchandise often do not have sufficient funds of their own to carry the load and must therefore be in a position to borrow from banks and other lending institutions on the stored merchandise. A recognized warehouse receipt on products properly handled and inspected is an excellent form of collateral which can be used without difficulty.

General Plan: The work divides itself into three lines of activity: (1) Inspection of warehouses and investigation of warehousemen who apply

for licenses. The purpose of this is to determine whether the facilities are adequate and the warehousemen responsible and acceptable for licensing, (2) Supervision of warehousemen who are already licensed to see that they comply with the Act and regulations.

This feature of the work represents about 90 percent of the activities in connection with the administration of the Act. Field men are stationed at various field headquarters to check the operations of the warehousemen within their respective districts. (3) Investigation of special problems which arise in the regular administration of the Act and in connection with inquiries to place additional commodities on the eligible list.

Examples of Progress and Current Program: Before the Warehouse Act came into general use, the storage of farm products in many sections was attended with uncertainty, and warehouse receipts generally were not acceptable to financing agencies beyond the immediate community in which the warehouse was functioning. Today licensed warehouses are carefully inspected and supervised to assure that they meet standards which minimize possibilities for spoilage and theft, and receipts from licensed warehouses are a form of collateral which command confidence in financial markets.

The value of this service is limited, however, by the fact that for a number of years licensed warehouse capacity under this Act has increased only slightly because funds have not been available to license additional facilities for commodities already under regulation, or to prepare new regulations covering a broader range of commodities.

While total licensed capacity has shown a relatively small increase annually for the past several years, the volume of products moving through warehouses and the average percentage of capacity utilized has increased tremendously, thus increasing the supervision load out of proportion to the increases made in annual appropriations. The change in licensed warehouse capacity during the fiscal year 1942, compared with 1941, is shown in the following table:

CAPACITY OF WAREHOUSES LICENSED UNDER THE UNITED STATES WAREHOUSE ACT

Commodity		Licensed Capacity June 30, 1941	Licensed Capacity November 30, 1942
Cotton	(bales)	10,162,809	10,419,719
Grain	(bu)	224,905,730	258,278,785
Wool	(lbs)	36,717,445	43,988,710
Tobacco	(lbs)	313,495,400	358,745,400
Nuts	(tons)	22,700	28,400
Broomcorn	(bales)	15,000	14,500
Beans	(cwt)	4,124,000	849,607
Sirup	(gal)	362,640	682,240
Dried Fruit	(lb)	2,922,000	2,922,000
Cold-Pack	(lb)	6,313,950	6,313,950
Canned Foods	(cases)	4,456,000	3,876,200
Seeds	(cwt)	617,017	402,302
Cherries in Brine	(lbs)	10,511,043	12,071,043

During the 1942 fiscal year, 577 licenses were issued to persons to inspect, sample, weigh, and grade products stored in licensed warehouses. At the close of June 30, 1,354 warehousemen's licenses and 3,426 licenses to persons to sample, inspect, weigh, and grade products stored in licensed warehouses were outstanding. Effective August 1, 1942, licenses were issued to a chain of 15 cotton warehouses operating in North Carolina, Georgia, and Alabama.

The manner in which the Warehousing Act aids in the marketing process is illustrated by the following example: A large miller purchased a number of warehouse receipts calling for Number 2 Rye free of dockage. When the warehouseman made delivery, he delivered rye containing 1 percent, 2 percent, and even 3 percent dockage. The miller protested the delivery. The warehouseman contended that the delivery of rye containing dockage was proper. This Department took the position that if no reference to dockage was made on the receipts, the purchaser of the receipts had a right to demand rye free of dockage. The warehouseman threatened to take the question into court, but after considerable exchange of correspondence, agreed to effect a proper settlement with the holder of the warehouse receipts on the basis of the Department's position.

This illustration is typical of many questions that arise. When the warehouses are not under Federal supervision, the warehouseman may force the public to take what he offers. The Department's position is that the warehouseman must satisfy the receipts, delivering products of the kind, grade, quantity, and quality called for by the receipts.

(u) FEDERAL SEED ACT

Appropriation Act, 1943	$82,890
Proposed transfer in 1944 estimates from "General administrative expenses"	+2,000
Total available, 1943	84,890
Budget estimate, 1944	80,650
Decrease	-4,240

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Enforcement of the Federal Seed Act	$81,914	$84,890	$80,650	-$4,240
Unobligated balance	1,576	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	83,490	84,890	80,650	-4,240

DECREASE

A decrease of $4,240 in this item for 1944 will necessitate the closing of one of the Federal-state seed laboratories.

WORK UNDER THIS APPROPRIATION

Objective: To assure farmers and other users of seed that (a) all agricultural and vegetable seeds transported in interstate commerce are properly labeled, (b) all seeds offered for importation are tested to determine whether they meet fixed standards, and where necessary, stained and recleaned before release.

The Problem and its Significance: This activity is directly connected with the Department's production goals in that enforcement of the Act, which protects farmers against the purchase of improperly labeled seed, is beneficial from the standpoint of efficient production of food, feed and fibre crops. The wartime program to increase food production for both domestic and foreign civilian and military needs has resulted in a sharp increase in seed production. Unless the seed planted and cultivated is of high quality, American farmers may find themselves subject to substantial financial loss and the American public, armed forces, and those of our Allies dependent upon us for food and seed may be deprived of supplies which otherwise would have been available.

Seed prices advanced materially during the past year and many varieties were in short supply. This situation encourages substitution of undesirable seeds and misrepresentation as to seed quality. Under such conditions it is imperative that the provisions of the Federal Seed Act affecting interstate commerce be administered with care. To protect the farmer from using inferior seed, the Federal Seed Act requires that all agricultural and vegetable seeds shipped in interstate commerce for seeding purposes be completely and correctly labeled.

Adequate enforcement necessitates the inspection of seed moving in interstate commerce, the examination of seedsmen's records, and the testing of numerous samples for purity, germination, noxious weeds, and variety, and investigation of and appropriate action with respect to violations of the Act. The Act also requires that imported agricultural and vegetable seeds meet certain standards, which necessitates sampling all importations and testing the seed for purity, germination, and noxious-weed seed content, and the supervision of staining, recleaning, or destruction of the shipment as the case may require.

With the exception of cereals the bulk of seed planted by farmers is obtained through normal trade channels and a large proportion of such seed moves in interstate commerce. The quality of seed cannot be determined from superficial examination; thus, the farmer must rely upon the statements that appear on labels attached to seed offered for sale. The planting of inferior or unadapted seed results in crop losses to the farmer out of proportion to the cost of the seed. Furthermore, the law

serves as a protection to producers and seedsmen against unfair competition on the part of unethical dealers who might seek advantage by misrepresenting the quality of their seeds.

General Plan: Enforcement has been organized in a very economical manner by using all available facilities. Since many states have similar laws relating to the sale of seeds within their boundaries, there is a close cooperation between Federal and state enforcement officials.

Six field laboratories are maintained in cooperation with state officials at Columbia, Missouri; Lafayette, Indiana; Sacramento, California; Corvallis, Oregon; Fargo, North Dakota; and Montgomery, Alabama. Memoranda of understanding with 45 states provide for coordination of state enforcement activities with enforcement of the Federal Act. This cooperative arrangement prevents duplication of effort, makes for more economical administration, and from a long-time standpoint tends to encourage uniformity in state seed laws and enforcement activities. State officials report apparent violations to one of the Federal-state seed laboratories, or to the Federal laboratory at Beltsville, Maryland, for formal action.

Examples of Progress and Current Program: The largest contribution to the war effort by the agency during the 1942 fiscal year was the sampling and testing of approximately 23,000,000 pounds of seed purchased by the Federal Surplus Commodities Corporation for shipment to the other Allied Nations under the lend-lease program. Had it not been for established requirements for seed under the Federal Seed Act and the availability of Federal-state seed laboratories for the uniform application of these requirements, which were part of the Federal specifications, the task of handling this large wartime assignment would have been extremely difficult.

Seed shipped in interstate commerce: During the 1942 fiscal year 484 complaints were received as compared with 351 in the preceding year, an increase of about 35 percent. In the majority of these cases warnings were issued. Criminal action was recommended in 26 cases. The other cases were terminated by fines ranging from $25 to $500. The increase in the number of reported violations is attributed to the present economic conditions and to more efficient inspection.

Varietal tests control the dissemination of falsely described seed of soybeans, rye, oats, alfalfa, and other crops of domestic production. Examples are the advertisements and offers for sale of so-called "McClave" soybeans when the Government advocated sharp increases in soybean plantings to increase the production of fats. The "McClave" was represented to be a new variety high in yield and oil content. Tests by state experiment stations revealed the seed to be an old variety of soybeans discarded by farmers years ago because of its low oil content and other undesirable characteristics.

Imported agricultural and vegetable seeds: With the decline in imports, there has been a marked change in foreign sources; this has necessitated unusual care in making purity and variety tests — the most time-consuming and expensive tests made by the analysts.

One thousand and eighty-three variety tests were necessary during 1942, compared with 712 during the preceding year — an increase of more than 50 percent. During the past year 29,375,000 pounds of agricultural seeds and 1,122,844 pounds of vegetable seeds subject to the Federal Seed Act were offered for importation, of which 5,897,600 pounds of agricultural seeds and 16,304 pounds of vegetable seeds were refused importation due to failure to meet the import requirements of the Federal Seed Act. All but 680,400 pounds of agricultural seeds and 13,438 pounds of vegetable seeds were later released after having been recleaned or otherwise processed to meet the standards.

The following table indicates the volume of seed testing during the past year. Nine percent more samples were tested in 1942 than in 1941.

Activities under the Federal Seed Act

	Fiscal Year 1941	Fiscal Year 1942
Actions re imported seed:		
Washington	2,248	923
Federal-state laboratories	1,970	1,948
Actions re interstate shipments:		
Complaints		
Complaints received	351	484
Seizures	15	22
Cited for hearing	14	36
Warnings issued	94	255
Advised no action warranted	67	298
Criminal action recommended	7	26
Importations		
Washington	2,569	1,607
Federal-state laboratories	3,020	2,061
Interstate		
Washington	849	1,974
Federal-state laboratories	651	992
Lend-lease		
Washington	- -	640
Federal-state laboratories	- -	776
Variety tests		
Greenhouse	291	408
Field	421	759
Other		
Check tests	926	472
Research	1,895	896
Identifications (Federal agencies, etc.)	761	1,874
Total	11,383	12,459

(v) PACKERS AND STOCKYARDS ACT

Appropriation Act, 1943	$389,544
Proposed transfer in 1944 estimates:	
From "General administrative expenses"	+10,000
To "Office of the Solicitor"	-1,500
Total available, 1943	398,044
Budget estimate, 1944	378,140
Decrease	-19,904

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Enforcement of the Packers and Stockyards Act	$389,868	$398,044	$378,140	-$19,904 (1)
Unobligated balance	2,556	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	392,424	398,044	378,140	-19,904

DECREASE

(1) The decrease of $19,904 in this item will be met by reducing the present supervisory force.

There is no provision in the law for deposting a yard unless it is found that it is no longer conducting an interstate business or has reduced in size below the 20,000 square feet minimum. Therefore, it will be necessary to reduce supervision under the Act generally, by releasing five technical men now stationed at: Washington, D. C. (1); New York City (1); Chicago, Illinois (2); and St. Louis, Missouri (1).

WORK UNDER THIS APPROPRIATION

Objective: To provide such supervision of operations at posted stockyards and designated live-poultry markets as will assure that (1) free and open competition is maintained; (2) unfair, deceptive, and fraudulent practices are eliminated; (3) accurate weights are given; (4) charges for services rendered are reasonable; (5) a full and correct accounting is made to shippers; and (6) packers do not engage in unfair practices in purchasing livestock or distributing its products in commerce.

The Problem and its Significance: The Packers and Stockyards Act requires that all stockyards exceeding 20,000 square feet in area and engaged in interstate commerce be posted, and that all agencies operating in such stockyards be registered and bonded. The decentralization of livestock

marketing which has occurred in recent years has more than doubled the number of stockyards coming within the provisions of the Act. The number of posted yards has increased from 124 in 1936 to 217 in 1942.

Because of the lack of sufficient funds to meet the rapid expansion in the number of stockyards eligible for posting, it was found necessary to discontinue the posting of additional yards during 1942. It is estimated that if all of the stockyards subject to the Secretary's jurisdiction at the present time were posted, supervision would be necessary for at least 100 additional yards.

The volume of work required in supervising the operations of stockyards, market agencies, and licensees varies directly with the condition of the market. When the market is reasonably stable, changes in rates and practices occur infrequently. When the market is changing rapidly, as it has been during the past year and may be expected to do during the coming year, constant attention is required and the demands on the time of the supervisors increase enormously. The impact of changing market conditions on the rate structure is particularly significant. In 1942 the number of requests for increases in stockyard rates increased 76 percent over the 1941 total, while that for commission rates increased 153 percent over 1941 - a total jump from 586 requests to 1,283. Each request requires thorough analysis and the making of a decision as to whether it will be allowed. Neglect of any part of the supervisory responsibility involved would produce serious repercussions at a time when the livestock market has already been subject to severe strain. As a result of normal peacetime supervision, it is estimated that from $1,200,000 to $2,000,000 annually is saved producers and shippers in rates and charges. It is believed that several times this amount is involved as a result of unusual market conditions during wartime.

General Plan: Enforcement of the Packers and Stockyards Act is handled by a supervisor located at each of the major stockyards, together with a staff of assistants and accountants. Smaller stockyards are visited periodically or when a complaint is made against one of the registrants or licensees. Cases under the Act may arise either as a result of periodic inspections and audits or as a result of an allegation of unfair or fraudulent practices by parties utilizing the services rendered.

Activities under the Act generally fall into the following categories: (1) Rates and Charges. Each posted stockyard is required to file with the Secretary a complete schedule of rates for the services it provides. Whenever the yard wishes to alter any such charges, the Secretary must be notified in advance. Because of increasing costs of labor and materials, the volume of rate charges requested recently has been abnormally large, and a correspondingly larger volume of supervisory effort has been required. In many cases the rate charges are accepted; in others, informal intervention on the part of the Secretary's representative is sufficient to prevent increases; in others, formal hearings are held and a decision reached as to whether the increase will be permitted or denied. All rate cases require thorough familiarity on the part of the supervisory staff

with the financial standing of the yard, property valuations, income and expenses, etc. To obtain such information often requires the services of several trained auditors over several months, and always requires complete knowledge of the yard's activities.

(2) Market practices. Under the terms of the Act and the rules and regulations promulgated by the Secretary, stockyards, packers, and dealers must adhere to fair marketing practices in their dealings with producers. Facilities must be available to shippers without discrimination, weights must be accurate, accounting for shipments must be in accordance with the facts, and feeding and handling of the stock must be properly supervised. Persons claiming to have suffered damage may file a complaint with the Secretary, who may then after thorough investigation, require the payment of reparation awards, or the Secretary may, on his own initiative, institute formal action.

(3) Record keeping. Stockyards are required to keep complete records of all transactions, in order to permit determinations as to the fairness of rates and practices. If it is determined by investigation that such records are not being kept, the Secretary may order their maintenance.

The Act was amended, effective August 14, 1935, by the addition of Title V relating to live-poultry dealers and handlers. Eight markets serving 16 cities have been found to be such as to warrant designation as live-poultry markets. After a market has been so designated, all persons handling live poultry in interstate commerce therein are required to be licensed. Applicants must furnish a certified balance sheet from which their financial responsibility may be learned, or must establish this fact through open hearings before a representative of the Secretary.

Examples of Progress and Current Program: In accordance with the terms of the Act, the Secretary of Agriculture is required to determine that the charges paid by livestock and livestock poultry producers for marketing services are reasonable. The carrying out of this responsibility requires constant attention to day-to-day operations, as well as to new or revised schedules of prices. If charges do not appear to be reasonable on the basis of available evidence, every effort is made to induce those responsible to withdraw them. Nevertheless, it is sometimes necessary to engage in costly and prolonged hearings if proper protection is to be assured.

An integral part of the work of administering the Act is the making of audits of the books of stockyards, market agencies, and licensees. The trend of this work during the past few years has been as follows:

Year	Total Audits Made	Number by Purpose: Rate Investigation	Financial and Trade Practice	Application for License
1939	307	6	131	170
1940	397	34	193	170
1941	533	14	403	116
1942	773	31	510	182

As a result of increased prices and a consequent increase in the value of livestock passing through the stockyards, $3,000,000 was added to the total bond coverage of registrants, bringing the total to approximately $16,000,000.

During the past year continued attention was given to weighing facilities in the posted markets. Scale engineers visited 157 stockyards and made 2,627 scale test reports, on the basis of which 127 major adjustments are made.

The greatly increased demand for meat and meat products occasioned by our participation in the war makes doubly imperative a close watch on the operation of livestock markets. When the normal balance of supply and demand is disrupted by unusual conditions, the market is susceptible to manipulation and deceit to a degree not experienced under normal conditions. As a result, the necessity for close supervision to protect the interests of both producers, governmental purchasing agencies and the general public, becomes increasingly clear. The Packers and Stockyards Act is an outgrowth of regulatory activity instituted to curb market abuses during the first World War. Its usefulness is even greater during the present conflict because of the experience gained from its administration during the past several years.

(w) NAVAL STORES ACT

Appropriation Act, 1943	$30,700
Proposed transfer in 1944 estimates from "General administrative expenses"	+1,000
Total available, 1943	31,700
Budget estimate, 1944	30,120
Decrease	-1,580

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Enforcement of the Naval Stores Act	$34,776	$31,700	$30,120	-$1,580 (1)
Unobligated balance	924	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	35,700	31,700	30,120	-1,580

DECREASE

(1) A decrease of $1,580 in this item is nominal and will be met by discontinuing the services of one clerical employee.

WORK UNDER THIS APPROPRIATION

Objective: To control the sales in interstate commerce of mislabeled and misgraded naval stores, as well as certain articles sold in competition therewith; to establish official United States Standards for rosin; to prepare and loan sets of duplicate standards to persons engaged in the production, inspection, distribution or consumption of rosin; to maintain an official inspection service on naval stores.

The Problem and its Significance: Naval stores are important raw materials required in the conduct of war. Turpentine is the only available material for manufacturing synthetic camphor, which is essential in the production of certain types of explosives. Turpentine is also used very extensively in the manufacture of protective coatings such as paints and varnishes, and can be used in cleaning firearms. Rosin is used primarily as an industrial raw material. It is used in the manufacture of powder bags, printing inks, plastics, soap, varnishes, lacquers for food containers, munitions (matrix in shrapnel cases), and numerous other articles. Pure and properly identified turpentine, rosin, and other naval stores must be available for these uses.

The control exercised over interstate commerce in naval stores helps manufacturers to get the kind of material they expect and require, and for which they pay. In addition, the inspection of turpentine and rosin by experienced Federal inspectors facilitates the marketing of these commodities by providing the means by which sales can be made on the basis of quality. Federal certificates are accepted as final in the settlement of disputes that may arise from time to time between buyer and seller as to the grade or purity of the product, or compliance with specifications.

The Agricultural Marketing Administration is purchasing for lend-lease shipment large quantities of naval stores of all kinds not covered under the Act. Under this program it has been necessary to prepare specifications for a large number of items, such as pine oil, kiln and retort pine tar, tar oil, pitch, liquid rosin, and several other related products. Besides being provided with an inspection service which assures delivery of naval stores conforming to specifications, the purchasing agency has been furnished much technical assistance in the development of information on sources of supply, qualities of products available, purchasing policy, and investigations as to contractors' plant facilities.

General Plan: Samples of turpentine and competing products are collected from shipments moving in interstate commerce, from lots arriving at northern distributing points from the southern sources and from lots redistributed by the original interstate consignee. These are subject to chemical analysis and other tests to determine purity, proper identification as to kind, propriety of invoice descriptions and label statements, and conformity with established standards. Shipments of rosin

are likewise sampled and graded to determine the correctness of classification, grading and marking in accordance with the standards and grades provided under the Naval Stores Act. The work is organized to provide both enforcement of the Act and service to all interested parties.

Revenue: A number of producers and dealers in naval stores have standing requests with the Department to classify and grade their products. This inspection service is generally conducted on a seasonal basis under prearranged schedules and travel itineraries or by cooperative agreement. For such services the requesting parties pay fees established by the Secretary to cover the cost of the work. During fiscal year 1942 fees totaling $6,609 were collected and deposited to the credit of Miscellaneous Receipts of the Treasury.

Examples of Progress and Current Program:

Enforcement operations under the Naval Stores Act: During 1942, 110 samples of turpentine were officially sampled for violation of the Act. Of this number, 19 cases of violations were found. Three firms were cited for violation and about 15 firms warned for minor infractions. One case has been turned over to the United States District Attorney for prosecution.

The development of refining methods for destructively distilled wood turpentine have made it increasingly difficult to prove satisfactorily by chemical means the adulterations of gum spirits of turpentine with destructively distilled wood turpentine. This problem is now under study and it is hoped that a solution will be reached during the coming year.

A study has been started for the purpose of establishing standardized market grades for crude pine gum or oleoresin. This material is a marketable product of the smaller turpentine farmer who is unable to operate his own still and convert the raw material into the final product of commerce.

The Administration has continued to collaborate in the work of the American Society for Testing Materials on the development of standards and standard specifications and test methods for various kinds of naval stores. An expanded program of work has been laid out to cover, in addition to turpentine and rosin, many other naval stores products in which Government purchasing agencies are interested. Recommendations were made, through the procedures of the Society, for advancement to standard status of several tentative methods of analysis applicable to rosin.

Service operations under the Naval Stores Act: Whereas in 1941 a total of 141,000 barrels of rosin were inspected, graded, and certified at the request of producers of naval stores, in 1942 this volume increased 140 percent to 341,000 barrels, approximately one-third of the American production. Additional details of this work are shown in the attached tabulation. The direct benefit to producers, consumers of rosin and to the Government is in proportion to these figures. Greater supplies of

carefully inspected and graded rosin are made available, and producers enjoy fair advantages based on what they actually market through carefully supervised and unbiased grading. The Government, through the loan operations of the Commodity Credit Corporation, has better graded and more carefully selected rosin as collateral for its loans than ever before.

Under the lend-lease program the inspecting, grading, and certifying of naval stores included such products as pine oil, pine tar, pine tar oil, pine pitch, liquid rosin, turpentine, and related other products. Two chemists spend practically all of their time analyzing naval stores for this purpose. The volume of work done under this project during fiscal year 1942 is also shown in the table.

From the information presented by the increased number of Federal certificates issued on rosin during the 1942 season, it is planned to compile statistical data showing the quantities of rosin produced, by grade, and the distribution by grade between the several states in which rosin is produced and marketed.

WORK DONE UNDER NAVAL STORES ACT
Fiscal Years 1941 and 1942

	Fiscal Year 1941	Fiscal Year 1942
Regular Service Work for Producers		
Barrels rosin inspected and certified at stills	36,278	8,403
Barrels rosin inspected and certified at loan warehouse yards and market points	104,888	332,151
Certificates issued	8,214	20,124
Samples submitted for request analysis or other test	235	35
Lend-Lease Inspection Work		
Lots of naval stores inspected and certified for lend-lease shipment	- -	400
Packages of naval stores involved	- -	163,472
Lots refused certification due to nonconformity with specifications	- -	6

(x) ENFORCEMENT OF THE INSECTICIDE ACT

Appropriation Act, 1943	$171,715
Proposed transfer in 1944 estimates from "General administrative expenses"	+5,000
Total available, 1943	176,715
Budget estimate, 1944	167,880
Decrease	-8,835

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Enforcement of the Insecticide Act	$173,918	$176,715	$167,880	-$8,835 (1)
Unobligated balance	1,332	- -	- -	- -
Total estimate 1944 and comparable amounts 1943 and 1942	175,250	176,715	167,880	-8,835

DECREASE

(1) The decrease of $8,835 in this item will be met by discontinuing the fungicide testing station at Corvallis, Oregon, and the chemical laboratory at San Francisco, California, and dropping one plant pathologist, one chemist, one clerk-stenographer (employed half-time), and three scientific helpers (employed half-time).

The closing of these stations will curtail generally the enforcement activities under the Insecticide Act.

WORK UNDER THIS APPROPRIATION

Objective: To prevent the importation, exportation, and shipment in interstate commerce of misbranded or adulterated insecticides and fungicides in order to protect:

A. Farmers, orchardists, and livestock and poultry producers from losses due to insecticides and fungicides which fail to protect their crops and animals, or which even cause injury to the crops to which they are applied.

B. Dealers, by assuring the effectiveness of insecticides used to protect stored grains, foods and fabrics from loss during storage.

C. Consumers, by making available effective insecticides and disinfectants used in destroying household insects and bacteria which cause the spread of communicable diseases of man or farm animals.

The Problem and its Significance: It is estimated that there are approximately 15,000 different insecticides and fungicides on the market this year, most of which move in interstate commerce and many of which have not been marketed before.

Many of the materials normally used in the manufacture of insecticides and fungicides are no longer obtainable because of enemy conquest, blockade, and military requirements. For example, Australasian Derris root, the principal source of rotenone, is no longer available; supplies of pyrethium and arsenic are being taken by the War Department; and copper, a former source of supply, is one of our most critical war materials. At the same time problems of packaging and processing are complicated by restrictions on the use of metal containers. In the face of these difficulties of supply, the demand for insecticides has increased as a result of increased food production goals. Consequently, new and untried formulas are appearing on the market with increasing frequency.

Successful crop and livestock production is dependent upon the use of proper methods for controlling insects and plant and animal diseases. By assuring the effectiveness of the products employed to combat these insects and diseases, the Insecticide Act helps to provide ample supplies of food and fiber to this country and its Allies, and saves American farmers from dissipating their labor on production which never matures.

Products coming under the terms of the Act fall into the following categories: (1) Agricultural insecticides and fungicides - a 20 million dollar industry in itself; (2) household insecticides; (3) insecticides for use on animals; (4) disinfectants; and (5) miscellaneous products.

The estimated value of all insecticides and fungicides (including disinfectants) imported or shipped in interstate commerce is approximately $150,000,000 per year. Upon their effectiveness is largely dependent the production of over 11 billion dollars worth of farm crops, as well as the protection of stored foods and other products and the safeguarding of the health of man and domestic animals.

The danger of epidemics during wartime, the unusual amount of intercontinental travel, and the presence of our armed forces in tropical climates make the siginificance of this work apparent. Both from the standpoint of maintaining our agricultural production at peak levels and of keeping insects, pests, and disease at a minimum, the adequate enforcement of the Insecticide Act assumes particular significance under wartime conditions.

General Plan: To determine whether insecticides and fungicides are in compliance with the law, samples of products subject to the Act are collected, analyzed, and, when necessary, subjected to practical field tests to determine whether their labeling is accurate and includes all required information.

Methods of analysis for the standard types of insecticides and fungicides have long been available, but many of the newer materials are highly complex mixtures for which new methods of testing must be developed. New facilities and methods for testing under actual field conditions must also be devised to cope with certain of the products offered for sale.

Examples of Progress and Current Program: While the character of insecticides and fungicides placed on the market is constantly changing, this tendency has been accelerated by wartime shortage of raw materials. In 1941 only 15 percent of the samples were new products. By 1942 this proportion had increased to 20 percent. As a result, continuous research is necessary to determine the effect and the effectiveness of new formulas. Each new sample presents an individual investigational problem, requiring special testing techniques.

The official work coming under the terms of the Insecticide Act for the past two years was as follows:

	1941			1942		
	Samples Collected	Citations Issued	Seizures	Samples Collected	Citations Issued	Seizures
Agricultural insecticides and fungicides	994	65	0	1,085	98	2
Household insecticides	441	58	2	538	110	2
Insecticides for use on animals	217	34	0	254	52	1
Disinfectants	288	66	4	349	89	17
Miscellaneous products	58	7	0	84	13	2
Total	1,998	230	6	2,310	362	24

In addition to the samples examined under the Act, a large number of samples of products destined for use by the armed forces or for shipment abroad were tested during the past year.

(y) COMMODITY EXCHANGE ACT

Appropriation Act, 1943	$469,587
Proposed transfers in 1944 estimates to:	
"Salaries and expenses, Office of Secretary of Agriculture"	-3,080
"Salaries and expenses, Library"	-475
Total available, 1943	466,032
Budget estimate, 1944	442,330
Decrease (including decrease of $418 travel funds returned to surplus)	-23,702

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Licensing of exchanges; registration of futures commission merchants and floor brokers; and review of exchange rules and regulations	$34,400	$27,702	$27,702	--
2. Compilation, current review, and daily release of volume of trading and open contracts; recording of futures prices; compilation and release of deliveries, classification and review of specially reported (large-account) trading and positions; and compilation and release of unfixed call sales	219,579	176,833	176,833	--
3. Segregation of customer-funds; examination of brokers' financial statements; and segregation and position audits	109,231	78,667	78,667	--
4. Current analysis and appraisal of trading, cash-futures relationships, deliverable supplies, and price movements; establishment of trading limits; and review of crop and market information	127,228	81,459	81,459	--
5. Investigation of complaints, violations, and trade practices; preparation of evidence for formal hearings; examination of floor trading; and special trade practice surveys	130,293	100,953	77,669	-$23,284 (1)
Covered into Treasury in accordance with Public Law 674	--	418	--	-418
Unobligated balance	5,794	--	--	--
Total estimate 1944 and comparable amounts 1943 and 1942	626,525	466,032	442,330	-23,702

DECREASE

The decrease of $23,702 in this item for 1944 consists of $418 decrease in travel funds (returned to surplus in 1943) and:

(1) A decrease of $23,284 to be met by discontinuing special trade practice audits.

In the enforcement of the Commodity Exchange Act, special trade practice audits are frequently conducted, in addition to the usual investigations following receipt of complaints. It seems advisable to meet the proposed decrease by discontinuing such audits. The services of two investigators, two accountants, and three clerical employees will be discontinued.

WORK UNDER THIS APPROPRIATION

Objective: To insure fair practice and honest dealing on commodity exchanges; to prevent manipulation and corners; and to prevent the dissemination of false and misleading crop and market information to influen prices.

The Problem: Practically all of the major agricultural commodities under the jurisdiction of the Agricultural Marketing Administration are essential for military, lend-lease, or domestic food and feed purposes. It is, therefore, especially important at this time that the 18 futures markets in which futures trading in these commodities is conducted, and which are extensively used by dealers and processors for hedging and price-determining purposes, should be completely free of any manipulation or fraudulent or arbitrary influences.

If the price-determining and price-insuring facilities of these futures markets were not available, the marketing of these commodities would have to be done at a higher margin of cost.

General Plan: By licensing all commodity exchanges on which trading in the specified commodities is conducted and registering all futures commission merchants and floor brokers who executive orders for others, the area of supervision is circumscribed. Then by requiring all brokers and large traders to report daily concerning their trading operations and open positions, deliveries, and other pertinent information, the basic data are secured upon which market supervision is based.

With the assistance of supervisors, investigators, and accountants at the trade centers all trading is scrutinized, price movements studied, apparent or alleged violations of the law investigated, books and records of futures commission merchants and large traders examined, and corrective action taken when required.

Examples of Progress and Current Program: In addition to the regular duties outlined by projects below, several important activities were undertaken at the request of war agencies. Numerous investigations of the composition

of commercial houses and their foreign and domestic business connections were made for the Navy Department. Several surveys were conducted for the Office of Price Administration. These surveys, which were made for the purpose of detecting concentrated holdings or unwarranted speculative activity, furnished a complete picture of the composition of the futures market in selected commodities. At the instance of the Treasury Department a large amount of material was compiled with respect to the trading in commodity futures of foreign nationals using blocked funds.

Project 1. Licensing of exchanges; registration of futures commission merchants and floor brokers; and review of exchange rules and regulations: During the fiscal year 1942, trading in 19 commodities was conducted on 18 commodity exchanges which had been designated as contract markets by the Secretary. During the year 685 futures commission merchants and 669 floor brokers were registered, fees for such registrations totaling $16,790. Present and proposed rules and regulations of commodity exchanges were currently reviewed to determine whether there was any conflict with statutory requirements.

Project 2. Compilation, current review, and daily release of volume of trading and open contracts; recording of futures prices; compilation and release of deliveries; classification and review of specially reported (large-account) trading and positions; and compilation and release of unfixed call sales: A close watch was maintained throughout the year over futures trading and the composition of the markets. The basic information for this market analysis is supplied by the trade itself, in accordance with requirements of the Commodity Exchange Act. Clearing members of each exchange must report daily the volume of trading and open contracts. Other periodic reports are required from futures commission merchants and large individual traders. The compilation and analysis of futures trading statistics are of value in securing compliance with the law. This information is also currently made available to the public.

Project 3. Segregation of customer-funds; examination of brokers' financial statements; and segregation and position audits. A total of 876 routine segregation audits of the books and records of futures commission merchants were made during the year to insure proper compliance with those provisions of the Act requiring the segregation and proper handling of customers' funds. In addition, 267 audits were made to verify reports submitted by commission merchants, processors, and dealers. These 1,143 audits were made by 25 accountants, an average of 46 audits per accountant.

Project 4. Current analysis and appraisal of trading, cash-futures relationships, deliverable supplies, and price movements; establishment of trading limits; and review of crop and market information: At the request of the Department the Chicago Board of Trade revised its lard futures contract as a means of reducing the wide price disparity between old-make and new-make futures. This request was made after a comprehensive study of the factors underlying the wide differences between the December and May lard futures and the feasibility of using a stability test instead of the contract age requirements.

Project 5. Investigation of complaints, violations, and trade practices; preparation of evidence for formal hearings; examination of floor trading; and special trade practice surveys: Market control measures applied during the year were: The adoption by the New York Produce Exchange and the New Orleans Cotton Exchange, upon the request of the Department, of higher margin requirements on speculative transactions in cottonseed oil and by the Chicago Board of Trade on soybeans; a special investigation of speculative trading in soybeans, which resulted in lower fluctuation limits; special weekly reports from the larger brokerage houses giving information on the number of accounts carried for speculators and hedgers which, together with regular reports on open contracts and commitments, provided a means of determining whether general public participation in the market was becoming dangerous.

(z) FARM PRODUCTS INSPECTIONS AGRICULTURAL MARKETING ADMINISTRATION (TRUST ACCOUNT)

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)
Inspection and grading of farm products under cooperative agreements (obligations)	$1,455,031	$2,474,260	$2,474,260

WORK UNDER THIS APPROPRIATION

This schedule covers the trust funds arising out of farm products inspections by the Agricultural Marketing Administration.

Under authority of the Agricultural Appropriation Act, the Secretary of Agriculture provides an inspection and grading service for farm products upon the application of an interested party. This service is supported in part by the appropriation "Salaries and Expenses, Market Inspection of Farm Products," and in part by fees charged for the services. These fees are covered into the Treasury as a special trust fund and are appropriated and made available for the payment of refunds and expenses in connection with the work provided for under cooperative agreements.

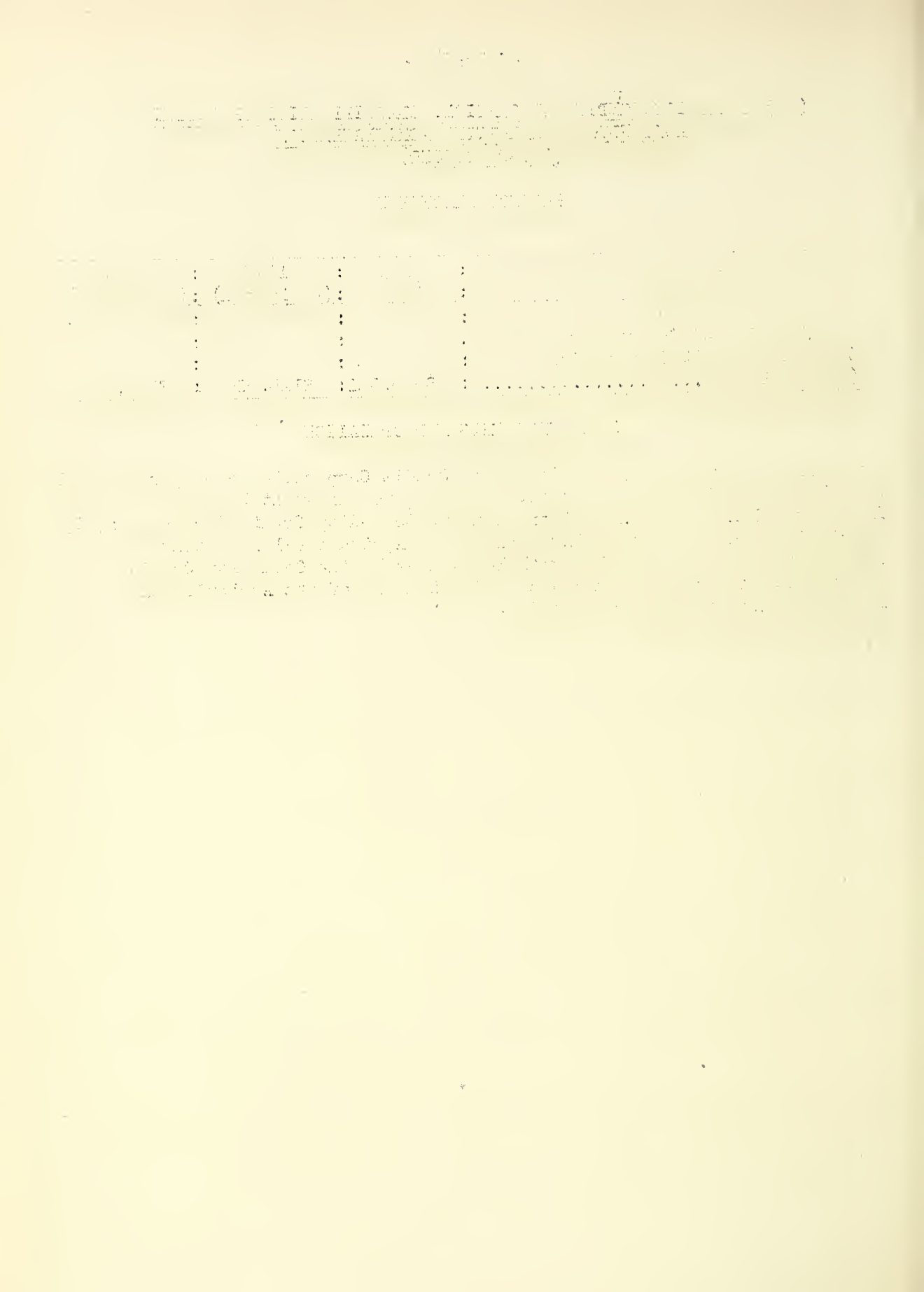
(aa) COMMODITY CREDIT CORPORATION, CLASSIFICATION OF COTTON
AGRICULTURAL MARKETING ADMINISTRATION
(TRUST ACCOUNT)

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)
Classification of Cotton for Commodity Credit Corporation (obligations)	$325,821	$125,000	$125,000

WORK UNDER THIS APPROPRIATION

This fund is advanced by the Commodity Credit Corporation and appropriated for the classification of cotton, according to agreement between Agricultural Marketing Administration and Commodity Credit Corporation, by specialists in cotton classing employed by Agricultural Marketing Administration in connection with loans made by the Commodity Credit Corporation under the provisions of Section 302 of the Agricultural Adjustment Act of 1938, as amended.



SUPPLEMENTAL FUNDS
(not otherwise explained)

(Exclusive of Lend-Lease funds which are not included in Budget)

(1) Direct Allotments

Project	Obligations 1942	Estimated Obligations 1943	Estimated Obligations 1944
Salaries and Expenses, Veterans' Administration (Transfer to Agriculture) (Agricultural Marketing Administration):			
For inspecting and grading of farm products for the Veterans' Administration	$45,000	- -	- -
Working Fund, Agriculture, Marketing Service (Advance from Quartermaster Service, Army, War Department):			
Inspection of processed foods	271,000	300,000	300,000
Supplies and Transportation, Army, Transfer to Agriculture (Agricultural Marketing Administration):			
Inspection of hay and supervision of Army hay inspectors	3,250	3,250	3,250
Working Fund, Agriculture, Commodity Exchange, Agricultural Marketing Administration (Advance from "Salaries and Expenses, Office for Emergency Management"):			
For selected surveys of the futures market to assist in determining the need for control over speculative activity in certain chosen commodities	- -	9,500	- -
Special Research Fund:			
For special researches in marketing farm products	18,376	18,250	18,250
Administration of Federal Crop Insurance Act, (Agricultural Marketing Administration):			
For daily reports on grain price quotations	1,969	2,000	2,000

Project	Obligations 1942	Estimated Obligations 1943	Estimated Obligations 1944
Working Fund, Agriculture, Agricultural Marketing Administration (Advance from Commodity Credit Corporation Capital Fund):			
For conducting investigations and tests	$5,700	$5,000	*5,000
TOTAL, SUPPLEMENTAL FUNDS (Direct Allotments)	345,295	338,000	328,500

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger-carrying vehicles for the Agricultural Marketing Administration for the fiscal year 1944 is $17,000, based on the replacement of twenty cars or seven percent of the total fleet, at an average cost of $850 per car. This estimate is $30,000 less than that for the fiscal year 1943 for which an estimate was made for replacing sixty-five cars or 23 percent of the total fleet, at an average cost of $725.

With the increasing war responsibilities of the Agricultural Marketing Administration the use of passenger-carrying vehicles is being restricted to work closely related to the war such as enforcing grade standards, inspecting and grading agricultural commodities, and furnishing daily market news information to be used in connection with Lend-Lease and other war food purchases. In carrying out these functions, it is usually necessary for employees to travel to markets, warehouses, and railroad yards which are not readily accessible by means of public transportation facilities. To rely on such public facilities would result in substantial delay where the time factor is of primary importance. Most of the employees engaged in this work are already putting in many hours of overtime each day. Inability to obtain transportation by automobile would make it virtually impossible for them to handle this necessary work.

In order that the motor vehicle requirements of the Agricultural Marketing Administration may be geared to automobile supply restrictions, a policy has been established for continuing all of the Administration's automobiles in operation as long as they are fit to be used. Specifically this policy permits eligibility for replacement under any one of the following conditions: that the automobile be over six years old, that it be five years old with at least 40,000 miles; that it be four years old with 50,000 miles; or that it be three years old with at least 60,000 miles. The following table shows that there are not more cars in the Administration with over 60,000 miles than are requested for the fiscal year 1944.

Inventory of Passenger-Carrying Vehicles

Age	No. of cars	Average Mileage
6 - 9 years	8	78,000
5 - 6 years	17	63,235
4 - 5 years	28	49,964
3 - 4 years	60	39,733
less than 3 years	172	19,500
Total	285	

Because of the increased mileage and age requirements mentioned above, the repair and maintenance costs of the automobiles will be substantially larger than in the past. In case the purchase of any new automobiles is impossible, therefore, funds requested would be required for up-keep of the old vehicles and for transportation by common carrier, private automobile, or other methods which may be available in lieu of government-owned vehicles.

RURAL ELECTRIFICATION ADMINISTRATION

(a) SALARIES AND EXPENSES

Appropriation Act, 1943	$3,500,000
Proposed transfers in the 1944 estimates to other appropriations (see Budget schedule for details)	-492,917
Total available, 1943	3,007,083
Budget estimate, 1944	2,683,000
Decrease (including decrease of $46,500 travel funds returned to surplus)	-324,083

* * *

Loans:

Limitation on borrowing from R.F.C., 1943	10,000,000
Limitation on borrowing from R.F.C., 1944	30,000,000
Increase in loan limitation	+20,000,000

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Lending Activities: Review and evaluation of applications for loans for rural electrification through feasibility studies of rural areas and examination of application data for both construction of new facilities and acquisition of existing facilities and preparation and recommendation of allotments	$350,501	$251,390	$189,000	-$62,390 (1)
2. Construction assistance and appraisal activities: Technical assistance to borrowers in the design and construction of generation, transmission and distribution systems and in rehabilitation of acquired properties; physical appraisal of properties involved in proposed acquisitions	445,899	367,999	268,000	-99,999 (2)

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
3. Supervision of General Operation of Cooperatives:				
a. Through management assistance: Assistance to borrowers in business management and operation of their systems through performance analysis and establishment of efficient operating procedures	867,499	902,347	874,000	-28,347 (3a)
b. Through technical operating assistance: Assistance to borrowers in the technical operation and performance of their electric facilities and equipment to assure adequate economical service and maintenance of facilities	412,790	422,131	390,000	-32,131 (3b)
c. Through auditing, loan accounting and collecting activities: Auditing borrowers' accounts; advancing and accounting for loan funds to borrowers; collecting and accounting for interest and principal payments to the Government	694,545	699,844	692,703	-7,141 (3c)
d. Through increasing consumption and revenue: This activity has been suspended for the duration	151,030	- -	- -	- -
4. General Administrative Activities	333,541	316,872	269,297	-47,575 (4)
Covered into Treasury in accordance with Public Law 674	- -	46,500	- -	-46,500
Unobligated balance	411,255	- -	- -	- -

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
Transferred to "Office of the Treasurer of the United States"	1,250	- -	- -	- -
Total available	3,668,310	3,007,083	2,683,000	-324,083
Transfers in the estimates to other appropriations (see Budget schedule for details)	594,065	492,917	- -	
Total estimate or appropriation	4,262,375	3,500,000	2,683,000	

INCREASES AND DECREASES

Salaries and Expenses

General: The request of Rural Electrification Administration for administrative salaries and expenses for the fiscal year 1944 totals $2,683,000, a decrease of $324,083 from the estimates for 1943 and $985,310 from the amount for 1942, including transfer, savings, and reserve items. The most basic assumption on which this request is submitted is that the war will continue through the fiscal year 1944 and that the present drastic curtailment program of the War Production Board on construction and use of critical materials will not be less severe during that year. If this basic assumption is incorrect, the request submitted herein will, of course, be inadequate to meet the needs of the REA.

The request for 1944 also reflects the assumption that the REA shall continue with its streamlined procedures for conducting its activities deemed essential for the duration of the war. This wartime framework consists of certain new war functions and a contracted continuance of those functions that are made compulsory as a result of the fact that funds amounting to over $354,000,000 have been advanced to 874 borrowers. These functions and the influence of streamlining are discussed in detail under the work projects which have been revised to conform to wartime activities. As these project statements reveal, the workload of REA in any one year consists of three principal activities or functions: (1) functions concerned with lending funds and the construction of power facilities; (2) functions concerned with power systems in operation such as managerial, auditing and inspection activities, the volume of which depends on the total number of projects in operation; and (3) functions concerned with those activities essential to the maintenance of an integrated organization for carrying on the Federal rural electrification program.

The amount requested will enable the REA to continue its participation in the war program through provision of power facilities for military and other war projects located in rural areas and to render adequate supervisory assistance

to operating projects and thereby assure the maintenance of dependable electric service on an economical basis to an increasing number of farm people, to essential war establishments, and to other rural users. There are over 16,000 large power users, including some 2,500 enterprises concerned directly with war production, dependent on the adequacy of service rendered by REA-financed cooperatives. A brief review of types of consumers on these lines reveals army camps and bases of many kinds, airports, air beacons, relay stations, naval bases, metal working plants, mines engaged in extraction of mercury, magnesium, coal, and other strategic minerals, oil wells, pipe lines, cheese factories, food processing plants, dairies, and hundreds of thousands of farms producing milk, poultry and foods in the production of which electric power is a vital element because of its efficiency and contribution to alleviating the manpower shortage in rural areas.

Perhaps the most important single contribution of REA to the war program arises from the vast network of existing rural power lines--almost 376,000 miles--which serve farms and other rural enterprises. During the coming year, and throughout the entire war period, these lines will provide low-cost power for the production, processing, and preservation, with less manpower, of essential quality foods and fibres, and for vital war projects, war industries, and emergencies. Thus the most important functions of the Rural Electrification Administration for the duration of the war are concerned with the operations of these existing borrowers' systems serving approximately 1,000,000 connected consumers on December 1, 1942. In the continued operation of these systems the Government has a vital interest in order to assure financial stability through their economical operation in supplying power to meet essential needs and to assure proper protection to the $354,616,010 invested in them.

Another major function of the Rural Electrification Administration for the duration of the war relates to extension of service to army camps and other essential war establishments as authorized and directed by the War Production Board. Notwithstanding the fact that general construction of utility facilities has been suspended because of the critical material situation, certain vital installations must continue to be made for air fields, beacons, radio beam stations, and a variety of similar war facilities in rural areas. These installations take priority over all other activities because of the need for prompt service. Although no estimate can be made at the present time, it is contemplated that a number of such installations will be required during 1944.

Another activity of the Rural Electrification Administration--an activity that has been growing in importance for some time--which can well go ahead in 1944 without using any critical materials is the acquisition of certain utility properties for incorporation in REA-financed systems that will make possible for the first time the extension of electric service to considerable numbers of unserved farms when materials are available. One of the greatest obstacles to wide-spread rural electrification has been "pocketed areas" which could not be served economically because of the barriers established by existing utility lines. These lines were built to serve the

more densely settled areas and while the owners were not interested in extending service to nearby areas, the presence of their lines precluded anyone else from serving these so-called "pockets." Many of these lines are being offered and will continue to be offered for sale as the result of orders of the Securities and Exchange Commission. The availability of certain of these properties paves the way for many of the REA-financed cooperatives to exercise the policy of area coverage because with these lines the cooperatives can then eventually reach the unserved farms. The extent of the offerings of such utility properties in 1944 is, of course, dependent primarily on the actions ordered by the Securities and Exchange Commission, but if present trends continue, it is apparent that a considerable amount of such properties of value to the cooperatives will be offered. In some instances, unquestionably, unless the cooperatives acquire the lines, service may be disrupted or rendered inadequate. It is believed that a $30,000,000 loan fund authorization, which is explained and requested in a subsequent section, can be invested prudently in acquisitions and related construction in the post-war period.

Because of its bearing on post-war activities in which many of the planning agencies of the Government are now intensively engaged, the survey of unelectrified farms being supervised by the Rural Electrification Administration will constitute a significant collateral activity during fiscal 1944. It is important to note that the principal items of expense of these surveys are incurred and paid for by the cooperatives. Rural Electrification Administration has developed uniform procedures and assists the cooperatives in the direction of the surveys. From a fiscal standpoint a substantial part of the supervisory cost is of a joint cost nature inasmuch as representatives are usually in the field for other purposes.

It will be noted that the estimates for 1944 are considerably less than those for previous years, particularly when administrative funds are related to loan funds outstanding on a percentage basis. In previous years when construction has constituted an important part of the REA's work, it developed that administrative funds required have been equal to approximately one percent of the cumulative total of loan funds. Because of the war and the consequent streamlining of the REA this relationship is not reflected by the 1944 estimates. In an appraisal of the significance of this relationship, it is, of course, essential to recognize shifts in emphasis from construction to operation activities and the growing proportion of the REA's work concerned with loans outstanding.

Though the request for 1944, presented in detail under the revised work project categories, has been prepared with the same care as in previous years, it should be clearly understood that the basis for a part of these estimates is necessarily much less definite than for previous years. Reference will be made throughout the following work project statements as to the extent to which the estimates are based on workload statistics.

The decrease of $324,083 for 1944 consists of a $46,500 decrease in travel funds (returned to surplus in 1943) and of the following operating components:

(1) A decrease of $62,390--approximately 25 percent--is estimated for "Lending Activities" in reflection of an anticipated decrease in the workload of field activities resulting primarily from the shift in emphasis to acquisitions, surveys, and war organizational work.

Objective and Significance: During 1944 these activities will be concerned primarily with the review and evaluation of all applications for loan funds to finance facilities to serve war needs as authorized by the War Production Board and for acquisition of existing facilities which borrowers may wish to purchase in order to extend eventually their area coverage. These activities will consist of: Studies and examination of application data; recommendation of allotments; and the preparation of feasibility studies of unserved rural areas to expedite adjustment to post-war activities.

Plan and Progress of Work: It is the responsibility of this phase of the work to review and evaluate all applications for loan funds which borrowers require to provide the electric facilities and service to military and other establishments, as authorized by war agencies.

Largely as a result of the orders of the Securities and Exchange Commission in dissolving large utility holding companies, there are being placed on the market a large amount of rural electric facilities of which many are in areas with vital loads. In many cases the cooperatives which have been financed by Rural Electrification Administration can acquire these properties and thus be in a position to extend area coverage to many sections when materials again become available. These acquisitions must be made when the properties are offered for sale or the opportunity may be lost for the future. While the extent of such offerings in 1944 is dependent on the program of the Securities and Exchange Commission and the private companies, it is apparent from present indications that the volume of such offerings will be considerable in 1944.

Investigations and surveys to provide data for determining feasibility of future applications and for the orderly extension of rural electrification as a post-war program constitute another important part of the activities of this work project. It is essential that such surveys be made now if rural electrification is to be part of a planned program for the post-war economy. It is important to note that Rural Electrification Administration supervises and assists borrowers in these surveys, while the cost of execution is borne by the borrowers and local groups.

Financial Requirements: Because of lessened activities involved in evaluation of applications, feasibility studies, and examination of data for allotments, it is estimated that the cost of this work project in 1944 will be $62,390 less than in the fiscal year 1943 and $161,501 less than in 1942. The estimate of $189,000 for the project has been determined partly on the basis of known workload requirements and partly on the best judgment that can be exercised.

There will be a number of loans for service to war agencies and war industries and these will receive precedence over all other activities as and when they are ordered and authorized by the War Production Board. The principal purpose of loans in 1944 will be for acquisition of existing utilities. Limited experience indicates that an acquisition loan requires at least 50 percent more man-hours of work than normal loans. There are at present proposals for acquisitions totaling $29,001,519 now in process of examination in addition to 705 applications totaling $99,910,900 for the usual type of loan. These latter applications must of necessity be held over until critical materials are again released for non-war purposes.

Reference has already been made to the collateral activities concerned with surveys of unelectrified farms in order to establish a basis for rural electrification in the post-war programs of the Government. Assistance to cooperatives and other local bodies in the conduct of these surveys will be rendered to the extent possible after the primary functions of this work project relating to applications and allotments for facilities to serve w[illegible] loads and for acquisitions have been performed. Assistance on the unelectrified farm survey should, therefore, be appraised on a joint-cost basis rather than as an individual item for appropriation.

The request of $189,000 for this work project in 1944 reflects the best judgment as to the minimum amount necessary to maintain those functions concerned with applications for allotments of funds for direct war projects as authorized by the War Production Board, for acquisitions of existing facilities which will eventually permit further extension of electric power to unserved farms, and for supervisory assistance to borrowers on their unelectrified farm surveys.

(2) A decrease of $99,999--approximately 27 percent--is estimated for "Construction Assistance and Appraisal Activities" because construction of new projects is restricted to those having a direct value to the war effort.

Objective and Significance: For the duration of the war this phase of the REA's work includes: Advising and assisting borrowers on the design and construction of generating plants, of transmission and distribution lines and of buildings and structures as authorized and ordered by the War Production Board or other war agencies with due regard to orders of the War Production Board in respect of simplification and economy of materials; advising and assisting borrowers in the technical aspects of the appraisal and rehabilitation of proposed acquisitions; engineering studies designed to lower construction costs and improve the reliability of rural power systems; and development of simplified technical engineering standards in the design and construction of rural transmission and distribution lines in conformity with instructions of the War Production Board.

Plan and Progress of Work: The activities included in this work project involve operations in both headquarters and the field. Rural Electrification Administration has been called upon by the War Agencies to provide electric facilities and service to many military and other establishments in rural

areas through construction of such new facilities as are deemed essential or are authorized by them. It is anticipated that this practice will continue during the fiscal year 1944. The assumption that the greater portion of loan funds will be used for acquisition of existing utility facilities means that a large number of prospective acquisitions must be thoroughly checked from a technical engineering viewpoint and appraisal made in order to assure the sound investment of Government funds. Rehabilitation studies must also be made in order that the facilities may be placed in the best economical operating condition as soon as materials again become available. The continued technical investigations and studies to reduce the cost of and improve service on rural electric lines which have been carried on by this Agency are of great value particularly in this period. It is essential that there be continued technical investigations aimed at the development and improvement of borrowers' generation, transmission and distribution systems and studies in the development and improvement of technical practices and methods related to borrowers' systems.

By the end of November 1942 about 376,000 miles of line had been energized and 58 generating plants were in operation.

Financial Requirements: The decrease of $99,999 or approximately 27 percent, in the cost of this work project in fiscal year 1944 reflects the limitation on construction activities because of the war. Nevertheless, there will undoubtedly be some new construction and integration for the purpose of serving vital war agencies and enterprises. This type of work must be performed promptly and adequately and as a consequence, requires relatively a greater responsibility on the part of the REA's engineers than is required for peacetime extensions. This results primarily from the fact that borrowers are unable generally to obtain adequate consulting engineering services and this added important war work must be done by the REA's engineers. The extent of such construction activities is, of course, impossible to determine at the present time, but it is imperative that a technical staff be available for such service. During 1944 an important function of this phase of the work will be concerned with engineering appraisal of properties the acquisition of which is sought by borrowers. This constitutes, of course, more than a mere physical check of the systems. Engineering appraisal includes not only evaluation but also study of the properties for rehabilitation and for design for incorporation in existing borrowers' systems and the eventual extension of service to unserved farms. The request of $268,000 for this phase of activities in 1944 reflects the best estimate that can be made of the minimum requirements of the acquisition program and for provisions to render engineering service for any type of electrical construction required by war agencies.

(3) Supervision of General Operations of Cooperatives: Though this phase of the REA's activities is normally the most important one, under wartime conditions it is even more important because many new and complicated problems have been imposed on REA and its borrowers, particularly in connection with the highly technical advice required for the operation of their transmission and distribution lines and generating plants in order that these

systems may make their maximum contribution to war activities in rural areas. Coordination of present systems with those to be added through the accelerated acquisition program will require a high degree of technical skill, management assistance and financial advice.

Experience is demonstrating the value to the war effort of having electricity available in rural areas. Electric power on the farm is an essential in the production of many vital foods of which there are increasing shortages. These include milk, poultry and livestock products. Further, electric power on the farm is a substitute for manpower and it is making a vital contribution toward alleviation of the critical manpower shortage in rural areas. It has been estimated, for example, that an electric water pump will save a farm family 869 manhours of work per year. A milking machine will reduce the time of milking from 35 to 55 percent depending on the size of the herd. A cord of wood can be sawed with an electrically driven saw in 30 to 40 minutes in contrast to 15 hours by hand. Chores can be performed in 35 percent less time by electric lights than by a lantern.

As has already been indicated, the war contribution of REA borrowers' service is not restricted to farm food production alone; it is essential to many other war activities in rural areas. Of the 16,000 large power users served by REA-financed systems, over 2,500 are concerned directly with war work. These include mines, cheese factories, machine shops, aluminum plants, oil pipe lines, oil pumps, army camps, marine bases, air beacons, and radio beam stations.

The maintenance of electric service to these vital war enterprises constitutes the principal functions of the REA. This consists of assistance to borrowers in the management and technical operation of their systems to assure an adequate supply of power at economical rates. These functions and the requested amounts for the performance of them on an efficient basis are presented in detail in the following sections. The decreases for each of the categories under this major work project reflect the effect of the loan program for 1943 and 1944 on the cumulative workload of these activities.

(3a) A decrease of $28,347 is estimated for "Supervision of General Operations of Cooperatives through management assistance", in fiscal year 1944, as a result of the diminution in work connected with newly energized systems the principal workload will be concerned almost entirely with activities of projects now in operation.

Objective and Significance: For the duration of the war, the management assistance phase of the REA's activities will be concerned with providing business management advice and assistance to borrowers in the operation and maintenance of their systems to assure maximum utilization of the facilities and to maintain their financial stability. These activities must conform to War Production Board directives concerning simplicity and economy of power, materials and labor. As has already been indicated, because of the peculiar conditions under which they operate, rural electric systems present many unique managerial problems the solution of which require the assistance of experts under normal conditions. These problems have multiplied with the

participation of borrowers in the war effort and with the need for adequate continuous service to meet wartime requirements. The integration of facilities obtained under the acquisition program with present systems also presents many managerial problems which must be resolved satisfactorily. The basic objective of guiding and assisting borrowers in the management of their projects is to effect all possible economies, and achieve the highest possible degree of efficiency. Attainment of this basic objective makes it possible for farmers and essential war establishments on the systems to receive maximum benefits of electric power at the lowest possible rates, and at the same time it strengthens the Government's security by enlarging the margin between revenue and expense from which must come the funds for payment of the interest and principal of Government loans. It is essential that this guidance and assistance to projects be continued to assure the effective discharge of their responsibilities and obligations.

Plan and Progress of Work: Among the most important types of management guidance required by the projects are: assistance in negotiation for wholesale power at equitable rates; preparation of retail rate schedules; aid in the development and continuance of cooperative organizations on democratic principles; cooperation with borrowers in the development of their managerial policies and methods; assistance to improve efficiency through analysis of monthly operating statements of revenue and expense and through budgetary controls; assistance in establishment of managerial procedures; aid in negotiations and arrangements for adequate insurance coverage at rates commensurate with risks; helping borrowers in development of safety programs to protect life and property; and assistance on matters of public regulation, by-laws and charters, consolidations, and taxes.

Financial Requirements: The decrease of $28,347 is estimated for this work project in fiscal year 1944 on the basis of the workload which reflects the cumulative number of distribution projects in operation, acquisitions, and the number of generating and transmission projects. One of the chief additional functions of Rural Electrification Administration in assisting operating projects is in connection with the problems of repair and maintenance growing out of war restrictions. This has necessitated the establishment of material pools for transfer of needed equipment. In addition to the requirements of distribution line projects, increasing attention must be given in both 1943 and 1944 to generating and transmission projects. There are now 58 generating plants in operation in regard of which an enlarged program of business management advice must be formulated if the operation of these plants is to be continued on an efficient basis.

The estimate of $874,000 for this phase of activities in 1944 has been made on the basis that the REA will continue to render business management assistance to borrowers on their operating problems of supplying power and coping with wartime restrictions. The estimate reflects the fact that the cumulative number of distribution line projects will continue at substantially the same level as in 1943 and provides for increased attention to the operating problems of generating plants and of properties obtained under the acquisition program. It is believed that this estimate will make possible the

discharge of the REA's responsibilities in connection with these vitally important problems.

(3b) A decrease of $32,131 is estimated for "Supervision of General Operations of Cooperatives through Technical Operating Assistance" in 1944 because few new projects will be placed in operation and as a consequence the workload will be confined almost entirely to service of projects now in operation.

Objective and Significance: The objective of this phase of the work, for the duration of the war, is primarily to provide borrowers with expert assistance and advice in technical operation and performance of transmission and distribution lines and generating plants; and to provide consulting service on technical engineering problems related primarily to achievement of maximum utilization of power. These are essential to providing an adequate, economical service to farmers, military establishments and war industries located on borrowers' lines.

Plan and Progress of Work: The most important type of technical operating assistance is consulting service to borrowers on technical engineering phases of operation of their systems. The continued provision of this type of service contributes greatly to the ultimate success of the borrowers' systems in supplying adequate service to farms and other vital war loads.

Financial Requirements: The decrease of $32,131 in the estimates for this phase of activities is a reflection of the negligible number of new projects that will be placed in operation during 1944. The principal workload provision for service of this phase will, therefore, be concerned primarily with the service requirements of present projects in operation. In 1944 as in 1943 an increasing amount of attention will have to be given to the technical operating problems of generating plants to assure their continued efficient operation. Further, the acquisition of existing utility properties raises many technical problems of physical integration, voltage regulation, and plans for eventual rehabilitation and extensions. All of these technical operating problems of the systems are the responsibility of this phase of the work. Continuing experience with operating problems constantly reveals the need for expert technical engineering assistance and advice, without which the systems could not economically operate and, therefore, the service of these systems to farms and other vital war enterprises would be impaired. On the basis of the anticipated workload, the estimate of $390,000 should be sufficient to meet these responsibilities.

(3c) A decrease of $7,141 is calculated for "Supervision of General Operations of Cooperatives through Auditing, Loan Accounting, and Collecting Activities" in fiscal year 1944 on the basis of a reduction in workload resulting primarily from an anticipated reduction in the number of advances of funds.

Objective and Significance: This phase of the REA's work is concerned with proper safeguards to Government funds including: activities pertaining to financial status of borrowers and depositories; control and approval of advances and expenditures in relation to the construction budget; designing and

installing borrowers' accounting systems; audit of borrower's accounts; and administering other financial aspects of Rural Electrification Administration relations with the Treasury, Reconstruction Finance Corporation and borrowers. These activities, with the possible exception of advances to borrowers, are of a continuing nature, not affected by the decline in construction of new projects. The importance of this phase of the work is apparent when it is considered that the revenues from a system are the only source of funds for the payment of interest and principal. Consequently, any dissipation of Government funds or revenues through unwise commitments, improper expenditures, incomplete accounts or other causes, may lead to serious financial difficulties. It is the responsibility of this phase of activities to prevent such occurrences. The work of this phase of the program not only discloses these situations, but also provides the factual material for management assistance and other technical advice to borrowers in achieving a level of financial and operating stability required to meet the needs of farms and other war industries dependent on these systems for electric service.

Plan and Progress of Work: The field audit of borrowers' accounts which requires the services of the majority of the personnel engaged in this phase of activities is essential to the protection of Government funds. Auditing problems in the field have become more complex as a result of the war.

Among the causes of these problems are: re-routing or abandoning of portions of borrowers' lines as a result of army installations in the areas served; need for conservation and most effective use of priority materials has necessitated more precise accounting for materials and other costs involved in such construction or relocation; a marked increase in turnover of system bookkeepers which, in turn, has increased the work of conducting a more intensive instruction program and supervision by auditors. Field audits of borrowers' accounts consist of 5 distinct types; (1) Installation Audits-- for installation of uniform system of account; (2) Intermediate Audits--for instruction of new bookkeepers and auditing initial advances to new systems; (3) Cost Distribution and Contractors Final Audits--for determining costs of construction and amounts due contractor and engineer; (4) Operations Audits--for determining semi-annually the financial condition of borrowers' systems; and (5) Special Audits--for determining irregularities and other unusual conditions on borrowers' systems.

Accounting for loans made to Rural Electrification Administration borrowers includes the accurate recording of allotments, advances and payments, including the billing and collecting of amounts due. These workloads are constantly increasing and will continue to increase for some time to come.

The auditing of requisitions and expenditure reports is expected to slacken somewhat with the reduced loan program but it is still essential that these duties, especially the audit of expenditure reports to determine that Government funds have been expended for purposes in accordance with all contracts, be provided.

Financial Requirements: Because of the small number of new projects which will be authorized by the War Production Board the workload for this phase of activities will be confined largely to the systems now in operation plus the acquisitions which are in prospect. On the basis of this known workload, calculations indicate that this work can be accomplished in 1944 with the request of $692,703.

In fiscal year 1944, it has been anticipated that the field auditing activities will expand as a whole. Calculations of the estimated workload of these activities for 1944 are as follows:

1. Installation Audits. During 1944 it is anticipated that no new borrowers will be organized and as a consequence there will be no installation audits performed during that year.

2. Intermediate Audits. It is estimated that approximately 50 Intermediate Audits will be made during the fiscal year 1944. These audits involve visits to systems in progress of completion for the purpose of instructing bookkeepers and training new bookkeepers in cases where there has been a change of system personnel. These audits are particularly important because they are performed during a time when close control is needed over the disbursement of Government funds. An audit of this type requires approximately 10 man-days to complete, which will amount to a total of 500 man-days for the year.

3. Cost Distribution and Contractors Final Audits. It is estimated that about 500 systems will require a cost distribution audit during the fiscal year 1944. In many of these cases a considerable volume of past transactions affecting plant accounts will need review, inasmuch as the construction program has progressed so rapidly in the past that complete analysis of plant accounts has been postponed in most cases and will need further attention. This is especially true of line extensions constructed by system personnel which aggregate several million dollars.

   Previous experience has indicated that these audits will require at least 10 man-days each to perform, or approximately 5,000 man-days for the fiscal year 1944.

4. Operations Audits. It is estimated that 850 systems will be in operation by the end of the fiscal year 1944. Operation audits involve a detailed review of borrowers' operating records for the purpose of verifying the financial condition of the system in order to bring to the attention of proper Rural Electrification Administration personnel any situations which require action to safeguard the Government loans. It is an established practice to perform operation audits semiannually. On the basis of at least 10 man-days for each audit a total of 17,000 man-days are estimated to be necessary to perform this particular type of audit. An operations audit goes beyond the verification of accounting records in that the auditor is

required to supply the Rural Electrification Administration staff with information that may be used as a guide in the management of the system. Also, in most cases, at the time an operating audit is performed, an auditor is required to serve in an advisory capacity in assisting the system personnel with accounting and bookkeeping problems.

5. Special Assignments. This type of audit involves irregularities and other unusual conditions. It also includes those assignments that will be necessary because of work in connection with various war projects and activities throughout the country that require more than usual attention. It is, of course, difficult to estimate the number of such assignments that will be performed during the fiscal year 1944 and the length of time that each will require. A conservative estimate would indicate that at least 200 of these assignments will be accomplished during 1944. This type of audit can usually be performed in less time than estimated in previous requests. Therefore, the estimated days required for special assignment audits has been reduced to 6 days per audit, or a total of 1,200 man-days for the fiscal year 1944.

Taking into consideration leave and travel time, a field auditor works approximately 250 days a year. On this basis, the estimated total 23,700 man-days would require the services of about 95 auditors for fiscal year 1944. On the basis of past experience, supervisory personnel equal to approximately 25 percent of the working audit staff would be required in order to provide field audit supervisors, audit report analysts and headquarters clerical and administrative personnel.

Activities concerned with accounting activities, preparation and rendering of monthly interest and principal statements, and the collection of interest and principal payments will increase in fiscal year 1944 because many borrowers will then be required to make interest and principal payments on loans made in 1941 and 1942 for each of which years there was a $100,000,000 loan fund authorization. Workload estimates for collection activities reveal that approximately 29,000 work units per month will be required of the clerical staff in 1944 as compared to approximately 25,500 units per month in 1943. Experience has demonstrated that about 2,000 work units can be performed per person per month. A similar increase for bookkeeping and other activities of the nature are also indicated by workload calculations.

The request of $692,703--a decrease of $7,141 from 1943--will enable this important work project to be performed at a minimum satisfactory level during 1944.

(4) A decrease of $47,575--approximately 15 percent--is estimated for "General Administrative Activities" for fiscal year 1944 primarily because of the reduced lending and construction program.

Objective and Significance: This phase of the work is concerned with: determination of policies, and problems arising out of their execution; coordination of the several activities required in execution of the program and development of the efficiency of each; control of internal operating procedures; relations with other agencies, both public and private; coordination of all war activities and service to war establishments; relations with project members, directors and officers; and policy-making investigations pertaining to the development and improvement of extension of electrification into rural areas. These activities are the concern of the Administrator, his staff of assistants, and responsible divisional representatives.

The war program has placed many responsibilities on this REA and its borrowers through their activities concerned with the construction and operation of transmission and distribution lines for military camps, war industries and service to areas surrounding great industrial plants now engaged in production of war material. One of the outstanding examples of this contribution to the war effort is the "Ark-La" transmission line which has now been placed in service to supply power to a new aluminum plant. The construction of lines of this magnitude require many conferences between REA and officials of the War Production Board, Army, Defense Plant Corporation, and others, and detailed supervision of all arrangements to assure proper design and prompt construction and operation, in accordance with prescribed regulations.

Financial Requirements: Because of the nature of the work of this phase of activities of the REA the financial requirements do not vary with specific measures of workload. As has already been indicated, the responsibility for program formulation and administration rests with this phase. These activities, of course, require a wide variety of professional, administrative and clerical personnel. Not only must administrative studies be made to provide a basis for policy determination by the Administrator and his staff, but also the execution of the policies through more specific programs and procedures requires administrative direction and the maintenance of adequate records to control all detailed activities.

The estimate of $269,297 (a reduction of $47,575 below 1943) for this phase of the work in 1944 is not, for obvious reasons, based on quantitative workload data partly because there are no such all-inclusive data available and primarily because the workload is qualitative in nature. This requires, of course, that there be a degree of flexibility to meet unforeseen problems as they arise. The estimate of $269,297 requested for this work is considered a conservative figure based on the best judgment of the requirements for general administrative activities in 1944.

REQUEST FOR LOAN FUNDS

Limitation on borrowing from R.F.C., 1943 ..	$10,000,000
Limitation on borrowing from R.F.C., 1944 ..	30,000,000
Increase	20,000,000

The Budget proposes that a sum of $30,000,000 be made available for loans for rural electrification and for acquisition of property in the fiscal year 1944, to be borrowed from the Reconstruction Finance Corporation under arrangements similar to those for the 1943 loan funds. This is an apparent increase over 1943 of $20,000,000. However, when it is considered that $11,704,337 of funds made available for the fiscal year 1942 are available for the fiscal year 1943, in addition to the $10,000,000 authorized for 1943, the actual increase in 1944 is only $8,295,663. There is available collateral from previous years' lending activities to support the requested loan fund for compliance with the 85 percent provision of Section 3a of the Act relating to security of loans made by the Reconstruction Finance Corporation.

As has already been indicated, it is anticipated that the majority of this $30,000,000 loan fund will be lent to finance the acquisition of existing utility properties that will be placed on the market as a result of the orders of the Securities and Exchange Commission. This is a direct reflection, of course, of the fact that utility construction will presumably be restricted in 1944, as at present, to the most vital facilities needed for the war. To the extent required, however, the needs of the war program as determined by war agencies will take precedence over all other proposed projects for these funds. It is apparent that the dollar volume of such new construction will be relatively small.

The acquisition of utility properties by Rural Electrification Administration borrowers does not interfere with the critical material situation inasmuch as no additional construction is permitted without the express permission of authorized war agencies. On the other hand, the acquisition of certain isolated properties may have a beneficial effect on the war effort. This is particularly true where properties cannot be reconstituted into a separate system but their continued operation requires that they be a part of an integrated system.

The primary objective of permitting borrowers to borrow Government funds for the acquisition of existing properties is to permit the extension of service to more unserved farms than would otherwise be possible. Many existing rural lines of utility companies were constructed for the specific purpose of preventing the development of cooperative systems; others were constructed to secure only the most profitable business with no regard for the average or less fortunate farmers. There are today throughout the Nation many areas--"pocketed areas"--that are precluded from ever having electric power except at exorbitant and prohibitive costs simply because of the effective barriers created by these privately owned rural lines. Now that many of these lines are being offered for sale as a consequence of Securities Exchange Commission orders, an

opportunity is presented for the first--and perhaps the last--time to the cooperatives to bring electric service to these unserved farmers. It should be distinctly understood that no effort will be made to extend such service until materials are made available generally for such purposes. In the meantime, however, consumers on the lines acquired will be assured that their electric service will continue in the hands of a community organization.

Though it is impossible to predict the amount and location of utility properties that will be available for acquisition in 1944, it is reasonable to assume, on the basis of present Security and Exchange Commission orders, that there will be a very substantial amount. Whether REA, another agency, or private firms finance the purchase of these properties, it should be recognized that long-term capital of the Nation will be utilized. It is believed that a sum of at least $30,000,000 can be lent to cooperatives in 1944 for their investment on a prudent basis in existing properties and related construction in the postwar period. The acquisition of such properties will open the way whereby many thousands of unserved farms in "pockets" will eventually be able to have electric service on a reasonable basis. It is requested, therefore, that the sum of $30,000,000 be made available in 1944 for loans.

WORK UNDER THIS APPROPRIATION

General: Work under this appropriation involves the execution of the rural electrification program established by the Congress as set forth in the Rural Electrification Act of 1936. The Act specified that "The Administrator is authorized and empowered to make loans in several states and territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, as hereinafter provided; to make, or cause to be made, studies, investigations, and reports concerning the condition and progress of the electrification of rural areas in the several states and territories; and to publish and disseminate information with respect thereto." It provides further that loans for the furnishing of electric energy shall be self-liquidating within a period not to exceed 25 years; that in making loans preference shall be given to states, territories, municipalities, people's utility districts and cooperative, non-profit, or limited-dividend associations; that loans may be made for financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment; and that loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the securities therefor as the Administrator shall determine and may be made payable wholly or in part out of income.

At the time of the establishment of the rural electrification program, electric service was available to only 1 out of every 10 farms in the country. Today electric power is available to nearly 40 percent of the farms. While these figures indicate the rapid strides taken in the past 7 years to make electricity available to farmers, they also reveal the number of farms still denied the benefits of electric power.

Progress of the rural Electrification Program: By November 1, 1942, the Rural Electrification Administration had made over 4,000 separate allotments to 873 borrowers for the construction of rural lines and other facilities. Of these 873 borrowers, 797 were non-profit or cooperative enterprises, 52 were public bodies and 24 were private utilities. The increasing widespread coverage of these borrowers' systems is indicated by the fact that the systems had lines in operation or under construction in October 1939 in 1,613 counties; in January 1941, in 2,081 counties; and in January 1942 in 2,277 counties; out of a total of 3,078 counties in the United States.

The cumulative figures presented in the following table show the progress in making allotments under the rural electrification program.

ALLOTMENTS

Date	Total Net Allotments All purposes	Miles to be Conctructed (Allotment Estimate)	Consumers to be served (Allotment Estimate)
June 30, 1936	$13,910,404	13,072	48,997
June 30, 1937	58,936,217	54,407	193,529
June 30, 1938	88,191,070	80,951	282,802
June 30, 1939	227,340,899	209,818	724,999
June 30, 1940	268,972,949	251,642	854,828
June 30, 1941	369,027,621	356,053	1,171,867
June 30, 1942	460,180,345	409,490	1,345,101
November 1, 1942	460,400,729	409,365	1,343,118

The cumulative figures presented in the following table show the progress in advancing funds and in building lines and connecting consumers.

CONSTRUCTION

Date	Funds Advanced	Miles Energized	Consumers Connected
June 30, 1936	$823,262	400	693
June 30, 1937	11,864,836	8,000	19,611
June 30, 1938	60,040,810	41,736	104,528
June 30, 1939	122,339,824	115,230	268,000
June 30, 1940	221,287,287	232,978	549,604
June 30, 1941	296,395,142	307,590	780,482
June 30, 1942	354,616,010	368,734	982,580
November 1, 1942	360,755,050	376,482	1,008,415

On the basis of present operations, 796 borrowers' systems are in operation and are annually distributing over one billion kilowatt hours of electric power for which consumers are paying nearly 50 million dollars on an annual basis. The average wholesale rate for electric power purchased by Rural Electrification Administration financed systems have been declining from year to year: from 1.21 cents per KWH in 1939 to 1.09 cents in 1940, to 1 cent in 1941, and to about 9 mills in 1942.

The following table shows the trends in significant operating statistics of REA-financed systems. These trends indicate clearly that borrowers have been making progress toward operating stability as they become older and gain from operating experience.

OPERATING STATISTICS OF REA-FINANCED SYSTEMS BY AGE GROUPS--JUNE 1942

Age (Months)	Systems Included	Revenue Per Mile	KWH Per Consumer	Percent Minimum Bills	Consumers Per Mi
1 - 6	16	$ 6.25	33	60	1.81
7 - 18	119	8.37	49	47	2.30
19 - 30	260	8.85	55	41	2.33
31 - 42	213	10.72	65	38	2.56
43 and over	70	12.70	72	36	2.89

The financial status of borrowers and their record of interest and principal payments on the Government loans are particularly gratifying as shown by the following table. By September 30, 1942, borrowers had paid on current notes a total of $31,365,840.87 in interest and principal, or $7,027,039.95 in excess of the $24,338,800.92 due as of that time. Payments overdue on that date amounted to $188,584.98 or less than one percent of the amount due. In contrast advance payments made by borrowers totaled $7,215,624.93. In addition to these payments notes paid in full amounted to $1,517,395.63.

INTEREST AND PRINCIPAL PAYMENTS OF REA BORROWERS
AS OF SEPTEMBER 30, 1942

ACCOUNTS	Loans for Lines and Generating Plants	Loans for Wiring and Plumbing	Total
INTEREST:			
Current Notes:			
Due	$17,328,030.61	$227,371.25	$17,555,401.86
Paid within 30 days	17,243,392.07	223,558.07	17,466,950.14
PRINCIPAL:			
Current Notes:			
Due	4,228,718.18	2,554,680.88	6,783,399.06
Paid	11,392,161.31	2,506,729.42	13,898,890.73
OVERDUE AMOUNTS:			
Current Notes:			
Interest	84,638.54	3,813.18	88,451.72
Principal	52,181.80	47,951.46	100,133.26
Total	136,820.34	51,764.64	188,584.98
NOTES PAID IN FULL:			
Interest	97,289.83	18,076.21	115,366.04
Principal	1,062,005.99	340,023.60	1,402,029.59
Total	1,159,295.82	358,099.81	1,517,395.63
ADVANCE PAYMENTS:			
Current Notes	7,215,624.93	- -	7,215,624.93

This table reveals that while the great majority of REA borrowers are making their interest and principal payments on time and in accordance with contractual provisions, some are making payments in advance, and a few are delinquent. Every lending agency experiences similar situations at one time or another. In many instances the overdue payments reflect adverse conditions which have prevented borrowers from completing or bringing into full operation their lines in accord with predetermined schedules; in some cases, they reflect delayed construction resulting from spite-line activities of private companies and injunctions; and in others increase in consumption of power or density at a slower rate than anticipated.

Circumstances Affecting Workload. When the rural electrification program was inaugurated in 1935 it was assumed that the greater part of the funds would be lent to existing private companies and that a minor part would be lent to cooperative and other non-profit associations. The development of the program, however, has been radically different from this initial assumption. Instead of private companies constituting the major group of borrowers, approximately 93 percent of the loans have been made to cooperative and other non-profit borrowing organizations, set up by farmers in communities under their respective state laws. It should be noted that circumstances guided the lending of public funds to the non-profit type of enterprise so strongly emphasized and favored in the Act.

To achieve the objectives of the Congress to make electric power available to as many farmers as possible at lowest rates through self-liquidating loans, means of course that Rural Electrification Administration must perform those activities necessary to safeguard the Government loans and assure the farmers and other rural consumers of dependable, adequate electric service. The importance of electric service to the war effort has emphasized the essential nature of these activities. The trend in the development of the cooperative as the principal type of borrower has exerted and still is exerting a dominant influence on the responsibilities and activities of Rural Electrification Administration.

War Work of the Organization. Electric power in rural areas contributes to the war effort in four major ways: (1) by enabling farmers to maintain or increase their production in the face of a decreasing rural labor supply; (2) by making possible an increase in production per animal or per acre; (3) by processing, preserving and making available for market in accordance with present day standards a larger proportion of the farm production; and (4) by supplying a form of power required to bring about the fullest possible utilization of the many resources found in rural areas. It is important to note that rural power lines serve not only farms but also many other essential activities in rural areas such as processing plants, industries, community and commercial enterprises, mines, army camps and related war activities. In a very real sense, rural electric service is, therefore, a joint-cost product. Many of the consumers along the rural lines financed by the REA are small industrial and commercial establishments processing farm products, servicing farm equipment or supplying farm needs, utilizing surplus farm labor, or developing resources found in rural areas. As an example of community development, the effect of electricity on the location and development of rural processing industries in the dairy field is indicated by the fact that over 75 cheese factories alone are now using electric energy on one REA-financed cooperative in the State of Wisconsin. These local industries result in higher prices being paid the farmer and thus stimulate production without increasing the cost to consumers.

Electric energy on many farms saves a great deal of labor for many routine operations. It eliminates much drudgery and hard labor by reducing many chores to automatic mechanical processes, and provides facilities for lengthening the effective working day for the efficient performance of work

in the home, barn, workshop, and other production centers. Operations that usually require an extra pair of hands or excessive man-hours when performed by manual methods or by power other than that supplied by electric energy are: cream separating; tool sharpening; hay hoisting; feed grinding, chopping, and mixing; drilling and sawing work of all kinds; seed cleaning, grading, and treating; clipping and shearing, milking; water heating for cattle, poultry and other livestock; and poultry and pig brooding. In fact, nearly every stationary operation which is power driven or requires controlled heat or cold uses less labor when operated electrically than when operated by hand or other types of power. Careful time studies made by various agricultural experiment stations indicate savings of approximately 50 percent in labor on various types of farm activities when electrically operated equipment is used. Examples of these savings and the time involved are: the Iowa State College Agricultural Experiment Station reports that a milking machine for a 25-cow herd reduces labor 50 percent and costs 25 percent; the Ohio State University Extension Service reports that a milking machine for a dairy herd of 15 cows resulted in a daily savings of 2 man-hours, or 50 percent; and the New Hampshire Experiment Station reports that an electric brooder saved about 4 man-hours, or 40 percent, over a coal brooder.

Foods and farm products designated as critical are milk and dairy products, eggs, chickens, meat of all kinds, wool and hides, and garden products. Electric energy assists in increasing the production and preservation of all these products. In the case of dairy products electric energy is almost essential if present day standards are to be maintained. Processing plants in many states return milk to the farm if the bacteria count is high or the milk sour. All along the way electricity cooperates in increasing the supply of milk, butter, cheese, beef and hides. These products come from many small farms and not merely from a few larger producers. Electric energy increases milk production by providing power for water pumping, water heating, feed grinding and mixing, milking, cooling and refrigerating, cattle clipping, and by lighting. These make it possible for the farmer to give more care and attention to the cows and milk thus increasing the output and conserving it for market. These activities will increase the production of the average herd from 10 to 25 percent and will also operate to increase the size of the average herd. Studies of agricultural experiment stations show: the cost of grinding feed by electricity is from 33 to 50 percent less than by alternative methods; adequate water supply increases milk production from 3.5 percent to 4 percent; more adequate feeding increases production from 5 to 50 percent; and the cost of cooling milk is cut as much as 75 percent under that of other effective, alternative methods.

In the production of eggs and poultry electricity also brings many savings. As in the case of dairy products, this increase is attributable to a variety of factors. Lighting of poultry houses provides the basis for more rapid chick growth and for the pullets to lay sooner and more frequently. The Oregon State Agricultural Experiment Station reports that electric lights resulted in an increase in egg production ranging from .6 to 6.6 percent. If electricity is used for brooding, lighting, warming water, sun lamps, grinding and mixing feeds, and water pumping, it is estimated on the basis of

various studies that the production of eggs may be increased from 5 to 15 percent. Furthermore electricity tends to even out the seasonal character of egg production. Likewise, electric power contributes to the production of poultry for meat purposes by at least a like amount. Ohio State University Experiment Station reports that the sun lamp eliminates the need for cod liver oil as a source of Vitamin D which is an absolute necessity in brooding chicks and for egg production in the winter season. Electric lights also operate to reduce losses from rats and rodents, from damp and cold weather, and from other causes.

In the production of meat other than from poultry, electricity aids in pig brooding, in the care of the young of all types of animals, in the preparation and grinding of feeds, in warming water in winter, and in related activities. In pig brooding experiments reported by the Iowa State College, losses were 16 percent less where pigs were brooded by electricity as contrasted with regular farrowing pens. In steer feeding, according to the Idaho Experiment Station, warm water produced an increase in the average gain per steer during February of 8 pounds at a total cost of 10 cents. All factors considered, improvement from 5 to 20 percent in meat production through the application of electric energy is not unreasonable.

In many other ways electricity operates to increase productivity on farms. The Virginia Agricultural Extension Division reports that watering of the farm garden increases yields by over 50 percent with less than 10 percent increase in costs. On an experimental plot the value of the increase was $44.13 and the cost of watering for the season, including labor, depreciation, and electricity, was $3.08, indicating a gain of $41.05. Likewise, in many other farm tasks, such as shearing sheep, curing and storing sweet potatoes, and storing potatoes, onions, and apples, electric energy operates to improve techniques and increase consumable output, and is entitled to full credit as the foundation upon which such improvements are based. The value of these increases exceed the annual cost of electric service many times over.

SUPPLEMENTAL FUNDS
(Complete Bureau Stateement)

Direct Allotments

Project	Obligations 1942	Estimated obligations, 1943
Working fund, Agriculture, General, Rural Electrification Administration (Emergency Management): The training of citizen engineers of other American republics in United States methods of rural electrification	15,540	59,100
Emergency Fund for the President, National Defense (Allotment to Agriculture) (R.E.A.): To cover necessary expenses of the removal of the Rural Electrification Administration from the District of Columbia to St. Louis, Missouri	68,906	- -
TOTAL SUPPLEMENTAL FUNDS (Direct allotments)	84,446	59,100

PASSENGER-CARRYING VEHICLES

It is contemplated that no new passenger-carrying vehicles will be purchased by the Rural Electrification Administration in 1944. One automobile will be kept in operation.

EMERGENCY DEHYDRATION INVESTIGATIONS

The Budget schedule reflects the obligations incurred during fiscal year 1942 from the nonrecurring appropriation for emergency dehydration investigations provided in the Second Supplemental National Defense Appropriation Act, 1942. The funds were allotted and obligated as follows:

	Fiscal Year 1942	
	Allotted	Obligated
Bureau of Agricultural Chemistry and Engineering, for improvement of methods of production and distribution of dehydrated foods	$70,000	$54,292
Bureau of Home Economics, for investigations of the effect of dehydration processes on the quality, uses and nutritive value of foods	74,000	59,973
Total	144,000	114,265

FLOOD CONTROL

(Carried in War Department Civil Appropriation Act)

Funds covering Preliminary Examinations and Surveys, and the prosecution of works of improvement and measures for run-off and waterflow retardation and soil erosion prevention on watersheds of streams for which works of improvement for the benefit of navigation and the control of destructive flood waters as authorized by law, were transferred to the Department of Agriculture from funds provided under the War Department Civil Appropriation Act.

Estimated obligations, 1943	$745,929
Estimated obligations, 1944	237,666
Decrease	-508,263

PROJECT STATEMENT

Project	1942	1943 (estimated)	1944 (estimated)	Increase or decrease
1. Preliminary examinations and surveys, etc.	$1,101,876	$412,855	$4,666	- $408,189(1)
2. Works of improvement, etc.	418,019	333,074	233,000	- 100,074(2)
Total obligations	1,519,895	745,929	237,666	- 508,263
1941 balance available in 1942	-5,279,445	- -	- -	
1942 balance available in 1943	+4,757,892	-4,757,892	- -	
1943 balance available in 1944	- -	+4,011,963	-4,011,963	
1944 balance available in 1945	- -	- -	+3,774,297	
Received by transfer from "Flood control, general, War Department"	-998,342	- -	- -	
Total estimate or appropriation	- -	- -	- -	

DECREASE

The decrease of $508,263 in this item for 1944 consists of:

(1) A net decrease of $408,189 for "Preliminary examinations and surveys" due to the contemplated completion by the close of the fiscal year 1943 of such authorized preliminary examinations and surveys as are already under way. No new preliminary examinations or surveys will be undertaken in 1943 or 1944. Six new surveys approved for initiation during 1942 were suspended before field work begun.

The sum of $4,666 is proposed for transfer to the "Office of the Secretary" in 1944 to pay the accumulated annual leave through June 30, 1943 of technicians employed by the Central Flood Control Office, in order that they may remain in

actual work status through June 30, 1943, to complete this work. Retention of these technicians in work status until that date is necessary to finish up valuable reports now requiring only final revision and review.

(2) A decrease of $100,074 for "Works of improvements, etc." is due principally to suspension of improvement work under these funds by the Soil Conservation Service in the San Fernando Valley Section of the Los Angeles Watershed.

The work on the Arroyo Seco portion of the Watershed, however, will continue to be prosecuted. It offers additional protection against flood damage to communities and facilities important to the war effort, and complete benefit from works already installed will not be obtained if further work should be suspended.

Progress and Current Program:

Preliminary Examinations and Surveys: As of July 1, 1942, 263 preliminary examinations had been initiated by the Department. Of these, 212 were completed, 35 were in progress, and 16 were deferred on account of reductions in funds. Detailed surveys have been initiated on 44 watersheds covering approximately 266,890 square miles. As of December 30, 1942, twelve survey reports had been approved by the Secretary, and operations based on one of these reports was under way in the Los Angeles watershed. Of the remaining 32 reports, 23 are scheduled for completion and submission for approval by June 30, 1943, provided further substantial losses in personnel do not occur. Work remaining to be done is essentially now an office job of analysis, technical review and revision. Large numbers of personnel have already left for the armed services and other war activities. It is the policy not to replace men who have left but to continue with a reduced organization, in order not to withhold qualified technicians from activities more important to the war effort. Work on the remaining nine watersheds has been suspended.

Works of Improvement: Work on the Arroyo Seco portion of the Los Angeles Watershed continued throughout 1942. As of September 30, 1942 the road improvement and protection work was completed, the fire control facilities were almost entirely installed, and the installation of channel barriers was about one-third complete.

On the San Fernando Valley portion of the Los Angeles Watershed the development of farm plans and the initiation of farm land treatment measures took place on 252 farms covering 5,952 acres during the fiscal year 1942.

FARM CREDIT ADMINISTRATION

(a) SALARIES AND EXPENSES

Appropriation Act, 1943:		
Direct appropriation (exclusive of $483,477 transferred to Federal Deposit Insurance Corporation with Federal Credit Union activities pursuant to Executive Order 9148)	$2,684,854	
Transfer from Farmers' Crop Production and Harvesting Loans	3,603,076	
Amounts chargeable against Corporations or funds serviced by Farm Credit Administration (exclusive of $158,795 in fees transferred to Federal Deposit Insurance Corporation with Federal Credit Union activities pursuant to Executive Order 9148)	2,280,493	
Net Appropriation Act, 1943	8,568,423	
Proposed transfers in 1944 estimates to other appropriations (see Budget schedules for details)	-358,053	
Net available, 1943		$8,210,370
Budget estimate, 1944:		
Direct appropriation	689,259	
Transfer from Farmers' Crop Production and Harvesting Loans	3,938,561	
Amounts chargeable against corporations or funds serviced by Farm Credit Administration	3,224,588	
Net available, Budget estimate, 1944		7,852,408
Decrease (including decrease of $91,640 travel funds returned to surplus)		-357,962

INCREASES AND DECREASES

The decrease of $357,962 in the available funds under this appropriation consists of $91,640 travel funds (returned to surplus in 1943) and:

(1) A reduction of $462,344 for the personal services and other objects of expenditure needed in the conduct of Farm Credit Administration activities.

(2) An increase of $196,022 in estimated requirements to cover costs of the reclassification of the grades of 580 crop and feed loan supervisors ($180,440) and other contractual services ($15,582).

The funds for the payment of the salaries and expenses of the Farm Credit Administration are obtained from a number of different sources. There follows a schedule setting forth by sources of funds the estimates for 1944 as compared to the approved budget for 1943:

Source of Funds	Appropriation Act, 1943	Estimate 1944	Increase or decrease
1. Appropriation	a/ $2,684,854	$689,259	-$1,995,595
Transferred to:			
(a) Salaries and expenses, Bureau of Agricultural Economics, Department of Agriculture	-81,707	- -	+81,707
(b) Salaries and expenses, Office of Solicitor, Department of Agriculture	-172,695	- -	+172,695
(c) Salaries and expenses, Library, Department of Agriculture	-20,918	- -	+20,918
2. Balance available	2,409,534	689,259	(1) -1,720,275
3. Reappropriation (transfer from crop loan funds)	3,603,076	3,938,561	(2) +335,485
4. Amounts chargeable against corporations or funds serviced or administered by the Farm Credit Administration	(b) 2,280,493	3,224,588	+944,095
Transferred to:			
(a) Salaries and expenses, Office of Solicitor, Department of Agriculture	-72,926	- -	+72,926
(b) Salaries and expenses, Library, Department of Agriculture	-9,807	- -	+9,807
5. Balance available	2,197,760	3,224,588	(3) +1,026,828
6. Net total available to Farm Credit Administration (items 2, 3, and 5)	8,210,370	7,852,408	-357,962

a/ Exclusive of $483,477 transferred to Federal Deposit Insurance Corporation with Federal Credit Union activities, pursuant to Executive Order 9148.

b/ Exclusive of $158,795 in fees transferred to Federal Deposit Insurance Corporation with Federal Credit Union activities pursuant to Executive Order 9148.

INCREASES OR DECREASES

Appropriated funds:

(1) The decrease of $1,720,275 in appropriated funds for 1944 consists of $26,813 decrease in travel funds (returned to surplus in 1943) and:

(a) Heretofore the expenses of the central office of the Farm Credit Administration incident to the administrative supervision of the Federal land banks have been paid from appropriated funds. It is proposed to assess the Federal land banks for this expense in 1944. (See item (3)(a).) This will permit a reduction in the appropriation for 1944 of $861,457

(b) Heretofore the expenses of the central office of the Farm Credit Administration incident to the administrative supervision of the district banks for cooperatives have been paid from appropriated funds. It is proposed to assess the district banks for cooperatives for this expense in 1944. (See item (3)(a).) This will permit a reduction in the appropriation for 1944 of 131,985

(c) Heretofore the cost of Information and Extension services rendered by the central office of the Farm Credit Administration has been paid from appropriated funds. It is proposed to assess the Federal land banks, the Federal Farm Mortgage Corporation, Federal intermediate credit banks, banks for cooperatives, and production credit corporations for their proportionate share of this expense in 1944. (See item (3)(b).) This will permit a reduction in the appropriation for 1944 of ... 108,863

(d) Heretofore indirect service and supervisory costs of emergency crop and feed loan program have been paid from appropriated funds. It is proposed to provide such funds from the crop loan reappropriation for 1944. (See item (2)(a).) This will permit a reduction in the direct appropriation for 1944 of 204,290

(e) Estimated reduction in appropriated funds required for examination program in 1944 (See language change No. 5) 139,422

(f) Estimated reduction in appropriated funds required for other operating costs in 1944 247,445

(g) Total decreases 1,693,462

Reappropriated funds (Transferred from Farmers' Crop Production and Harvesting Loans):

(2) The increase of $335,485 in reappropriated funds for 1944 consists of $64,827 decrease in travel funds (returned to surplus in 1943) and the following increases:

(a) Indirect costs of crop loan operations (see item (1)(d), Appropriated Funds) will require additional funds of $204,290

(b) Reclassification of the grades of 580 crop and feed loan state and field supervisors ($180,440) and an increase in the estimate for other contractual services ($15,582) will require additional funds of 196,022

(c) Total increases 400,312

Amounts chargeable against corporations or special funds:

(3) The increase of $1,026,828 in amounts chargeable against corporations or special funds available to the Farm Credit Administration is accounted for as follows:

Increases:

(a) To be collected from Federal land banks and district banks for cooperatives for the costs of their administrative supervision (see items (1)(a) and (b), Appropriated Funds) ... 993,442

(b) To be collected from Federal land banks, the Federal Farm Mortgage Corporation, Federal intermediate credit banks, banks for cooperatives, and production credit corporations for Information and Extension services (see item (1)(c), Appropriated Funds) 108,863

(c) Total increases 1,102,305

Decreases:

(d) Estimated reduction in other operating costs of the Farm Credit Administration in 1944 recoverable from corporations and special funds 75,477

(e) Net increase (item (c) minus item (d)) 1,026,828

In explanation of the foregoing tabulation of increases and decreases by sources of funds, the Farm Credit Administration makes its facilities available to and renders services for various agencies pursuant to authority of law and is reimbursed for the cost of such facilities and services by the institutions or agencies for which the services are performed or collects fees therefor pursuant to statutory authority. The budget estimate, therefore, reflects estimates of the amount of funds which will be available to the Administration from sources other than by appropriation from the Federal Treasury. There is set forth below a statement showing by sources of funds the total amounts contained in the Budget proposed for the fiscal year 1944.

Sources of funds, 1944:

1. To be appropriated from the general funds of the Treasury ...	$689,259
2. To be reappropriated, from funds previously appropriated for the making and collecting of crop loans pursuant to the Act of January 29, 1937, for administrative expenses in connection with the making and collecting of crop, feed and drought loans in 1944	3,938,561
3. To be obtained from the Federal Farm Mortgage Corporation for services and facilities made available by the Farm Credit Administration	805,863
4. To be obtained from assessments for the cost of supervision of banks for cooperatives (including reimbursement for administrative expenses from the Central Bank for Cooperatives).	308,716
5. To be obtained from assessments for the cost of supervision of Federal land banks	886,794
6. To be obtained from the Reconstruction Finance Corporation for supervision of regional agricultural credit corporations. These corporations were chartered by the Reconstruction Finance Corporation and were transferred to the Farm Credit Administration by Executive Order on May 27, 1933. Under existing law the Reconstruction Finance Corporation is required to pay the cost of their supervision	63,897
7. To be obtained from assessments for the cost of supervision of Federal intermediate credit banks	223,512
8. To be obtained from assessments for the cost of supervision of production credit corporations	280,441
9. To be obtained from assessments for examinations of banks for cooperatives, production credit corporations, and production credit associations	268,500
10. To be obtained from assessments for examinations of Federal and joint stock land banks and Federal intermediate Credit banks	386,865
Total available to Farm Credit Administration	7,852,408

CHANGES IN LANGUAGE

The estimate includes proposed changes in language of this item as follows (new language underscored, deleted matter enclosed with brackets):

1. Salaries and expenses, Farm Credit Administration, Department of Agriculture: * * *; law books, books of reference, and not to exceed [$1,000] $750 for periodicals [,] and newspapers [, and maps];

The proposed language will change the limitation of $1,000 for periodicals, newspapers, and maps to $750 for periodicals and newspapers. The word "maps" is being deleted. Only nominal amounts have been spent for maps and the inclusion of the unrelated item of maps in the category of periodicals and newspapers is unnecessary and undesirable.

2. * * * purchase, [exchange,] maintenance, repair and operation of motor-propelled passenger-carrying vehicles [and motortrucks] to be used only for official purposes] in the District of Columbia and elsewhere;

The first deletion is recommended since provision for exchange of automobiles is being made in the 1944 Budget under the Independent Offices section, for the Government as a whole. The second deletion is recommended since specific authority for purchase, maintenance, repair and operation of motortrucks is not required, and such trucks may be used only for official purposes.

3. * * *; [typewriters, adding machines, and other labor-saving devices, including their repair and exchange;] garage rental in the District of Columbia [and elsewhere];

These deletions are recommended since specific authority for the purchase, repair and exchange of typewriters, adding machines, and other labor-saving devices is not required, nor is specific authority required for rent outside the District of Columbia.

4. * * *; payment of actual transportation and other necessary expenses and not to exceed $10 per diem in lieu of subsistence [and other expenses] of persons serving, while away from their homes, without other compensation from the United States, in an advisory capacity to the Farm Credit Administration.

The shift of the position of words, as indicated above, is proposed in the Budget in order to make this provision consistent in wording with similar provisions in other bills. For examples, see 1944 Budget, page 44, "National Defense Activities, Bureau of the Budget," and page 45, "Salaries and expenses, National Resources Planning Board."

5. * * *; examination of corporations, banks, associations, [credit unions,] and institutions operated, supervised, or regulated by the Farm Credit Administration: Provided, That the requirement (12 U.S.C. 952) that Federal land banks and joint stock land banks shall be examined at least twice each year is hereby modified so that such examinations need be made only once each year: Provided further,

The responsibility for the examination of credit unions was, pursuant to Executive Order No. 9148, effective May 16, 1942, transferred to the Federal Deposit Insurance Corporation and for that reason reference to credit unions is deleted. The new language provides that examination of Federal and joint stock land banks need be made only once each year instead of at least twice each year as is required at the present time. All of the other banks or corporations under the supervision of the Farm Credit Administration are required to be examined but once each year, and it is believed that an annual examination of the Federal and joint stock land banks is all that is necessary. The manpower problem also makes it desirable and necessary to eliminate non-essential tasks and this will assist in that connection.

6. * * *, and the Administration shall estimate the cost to the Farm Credit Administration of [supervising the] the administrative supervision of the Federal land banks, the banks for cooperatives, the Federal intermediate credit [banks] banks, and the production credit corporations for the fiscal year [1943] 1944 and shall apportion the amount so determined among such banks and corporations on such equitable basis as said Administration shall determine, * * *

This change in language will place the Federal land banks and the banks for cooperatives on the same basis as now obtains in the case of the production credit corporations and the Federal intermediate credit banks in that the four permanent farm credit institutions will in 1944 all be assessed for their ratable share of the administrative expenses of the Farm Credit Administration.

7. * * * (2) the amount which fairly and equitably should be allocated to each Federal land bank, bank for cooperatives, Federal intermediate credit [bank] bank, and [each] production credit corporation as the cost during the fiscal year [1943] 1944 of [supervisory services] their administrative supervision, * * *

This change in language is related to that discussed in No. 6 above and provides for making a settlement at the end of the fiscal year with the Federal land banks and banks for cooperatives for the amounts assessed against them in advance for administrative expenses in the same manner as now obtains in the case of the Federal intermediate credit banks and production credit corporations.

8. [: Provided further, That officers and employees who under proper authorization use privately owned automobiles in the performance of official travel within the corporate limits of their official stations for the purpose of examining, supervising, or servicing Federal credit unions within said corporate limits may be reimbursed for such travel at a rate not to exceed 3 cents per mile.]

The responsibility for the administration of the Federal Credit Union Act was transferred to the Federal Deposit Insurance Corporation on May 16, 1942, Executive Order 9148, and this deleted proviso, which pertains to the Federal credit unions only, need no longer be a part of the appropriation language of the Farm Credit Administration.

9. Other minor deletions, having no effect on the authority, responsibility, or functions of the Farm Credit Administration, have been made to change the fiscal years involved, etc.

WORK UNDER THIS APPROPRIATION

General Statement: The Farm Credit Administration supervises, coordinates, and administers a national program of agricultural credit pursuant to Executive Order No. 6084, dated March 27, 1933, and the various acts referred to in the following brief description of the functions of the respective institutions, funds, or activities:

1. The Federal land banks and national farm loan associations were established pursuant to the provisions of the Federal Farm Loan Act, approved July 17, 1916 (39 Stat. 360). The twelve Federal land banks, established in 1917, under this authority and in conjunction with national farm loan associations, provide farmers with long-term credit for financing the purchase of land, the erection of buildings, the purchase of machinery and equipment, the liquidation of indebtedness incurred for agricultural purposes (or incurred prior to January 1, 1937), and for other agricultural purposes.

2. The Federal intermediate credit banks were established pursuant to the provisions of the Agricultural Credits Act of 1923, approved March 4, 1923 (42 Stat. 1454). The twelve intermediate credit banks, established in 1923, are agricultural banks of discount and are not authorized to make loans to individuals. The loans and discounts made by the banks must be for agricultural purposes and have a maturity at the time they are made or discounted by the banks of not more than three years.

3. The production credit corporations and associations were established pursuant to the provisions of the Farm Credit Act of 1933, approved June 16, 1933 (48 Stat. 257). The twelve production credit corporations, organized in 1933, were established to organize, to assist in capitalizing, and to supervise the operations of the production credit associations. The associations are composed of farmer-borrowers organized to meet the production credit needs of local agricultural communities by making loans and discounting them with the Federal intermediate credit banks.

4. The banks for cooperatives were established pursuant to the provisions of the Farm Credit Act of 1933, approved June 16, 1933 (48 Stat. 257). These banks extend credit to cooperative associations of farmers engaged in (1) processing, preparing for market, handling or marketing farm products; (2) purchasing, testing, grading, processing, distributing, or furnishing farm supplies; or (3) furnishing farm business services. In addition to the twelve district banks for cooperatives, there is a Central Bank for Cooperatives which makes loans to farmers' cooperative associations of national or broad regional scope. The division of lending authority between the Central Bank for Cooperatives and the district banks for cooperatives is prescribed by the Governor of the Farm Credit Administration in such manner as best prevents duplication of effort and secures greatest efficiency in extending benefits to borrowers.

5. The emergency crop and feed loan activities have been administered pursuant to the provisions of the Acts of June 29, 1937 (50 Stat. 5), and February 4, 1938 (52 Stat. 26), and various prior acts. As a part of its emergency aid to agriculture, Congress has made available funds for emergency loans to farmers for crop production, the purchase of feed for livestock, and for similar purposes. Prior to 1932, such loans were restricted to flood, drought, or storm-stricken areas, but in recent years, with the exception of the 1934 drought relief appropriation, there has been no limitation as to area.

6. The regional agricultural credit corporations were established pursuant to the provisions of the Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat. 713). These corporations were organized by the Reconstruction Finance Corporation in accordance with section 201(e) of that Act. The corporations were placed in voluntary liquidation in 1934, following the establishment of the production credit system. It is possible, however, that it may become necessary to restore these corporations to an active operating basis, in order to meet credit needs in certain agricultural operations, which otherwise could not be filled, and which operations will be required to meet the increased need for food, feed, and fiber.

7. Joint stock land banks were organized pursuant to the provisions of the Federal Farm Loan Act, approved July 17, 1916 (39 Stat. 360). Joint stock land banks are privately capitalized institutions and are managed by officers who are chosen by boards of directors elected by stockholders. They are subject to the general supervision of, and are examined by, the Farm Credit Administration. The Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat. 46), provided that after that date no joint stock land bank should issue new tax-exempt bonds or make any farm loans except as might be necessary and incidental to the refinancing of existing loans or bond issues or to the sale of real estate. On June 30, 1942, 27 joint stock land banks, excluding 4 in receivership, were still in process of liquidation. The Emergency Farm Mortgage Act also established a fund to be administered by the Farm Credit Administration to assist the banks in their liquidation. The fund has now lapsed.

8. The Agricultural Marketing Act, approved June 15, 1929 (46 Stat. 11), authorized the establishment of a revolving fund of $500,000,000 for use by the Federal Farm Board in making loans to cooperative associations and to stabilization corporations. The purpose of the fund, as expressed in the Act, was to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products. The supervision and administration of the fund were transferred to the Farm Credit Administration by Executive Order No. 6084, dated March 27, 1933. With the organization of the banks for cooperatives in 1933, the fund was placed in liquidation.

9. Pursuant to the provisions of the Cooperative Marketing Act of 1926 (44 Stat. 802), the Farm Credit Administration renders services to associations of producers of agricultural products and federations and subsidiaries thereof engaged in the cooperative marketing of agricultural products including processing, warehousing, manufacturing, storage, and the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities.

(Note: A budget statement pertaining to the activities of the Federal Farm Mortgage Corporation is covered in a separate submission).

This appropriation provides for the general administrative expenses of the Farm Credit Administration in discharging its responsibilites for supervision, coordination, and examination of the banks and corporations named above, the making and collecting of emergency crop, feed, and seed loans, the liquidation of the Agricultural Marketing Revolving Fund, and the extension of services to cooperative associations of agricultural producers. With the exception of the crop loan program which is administered by employees of the Farm Credit Administration, the present agricultural lending program under the supervision of the Farm Credit Administration is carried forward through corporations operating in the twelve farm credit districts into which the Continental United States is divided.

Current Program: The program being followed at this time by the permanent units comprising the Farm Credit Administration is directed to the fullest extent to the financing and the achieving of the production goals of agriculture for foods and fiber, and to the most effective servicing of outstanding loans. Diligent effort is being exerted to assure that credit needs of agriculture are being met promptly. Recognizing that farm income has risen substantially, every effort is being made to follow sound collection policies and to reduce farmers' indebtedness out of their increased income. Farmers are being urged to provide reserves for themselves out of their increased income through advance payments on their loans and through the purchase of War Savings Bonds. All Federal land banks and production credit corporations have qualified as agents of the Treasury Department for the selling of War Savings Bonds to farmers, and through their associations, namely, national farm loan associations and production credit associations, are now engaged in the selling of War Savings Bonds to borrowers. They are also encouraging borrowers to make

provision for the payment of income taxes which many farmers will be called upon to pay for the first time in 1943.

The war has brought manpower problems to the farm credit units, but despite the loss in personnel every effort is being made to render better and more economical credit service to agriculture through decentralizing the operations of the units to contact points throughout the country, more readily available to the farmers, and to eliminate to the extent possible procedures and methods which can be dispensed with in wartime. All this requires, of course, a constant review of procedures and methods and a continuous study of organization in order that the farm credit units may continue to render the maximum servicing with reduced personnel and at a minimum cost. The Central Office of the Farm Credit Administration in Kansas City is doing all in its power to furnish leadership and to assist the units in accomplishing the objectives and in working out plans and methods for making effective a service for the wartime credit program for agriculture.

Selected Data on Operations of Agricultural Lending Programs: There follow schedules which reflect the amount of loans made during the last three years, the amount of loans outstanding as of the end of each such year, the gross assets at the end of each such year, and selected comparative data for each of the programs administered or supervised by the Farm Credit Administration.

FARM CREDIT ADMINISTRATION

Table 1 - Amount of loans made, by fiscal years, 1940 through 1942

Institution	1940	1941	1942
Farm mortgage loans:			
Federal land banks	$55,820,107	$69,606,525	$62,004,817
Land Bank Commissioner	30,251,371	40,208,440	34,956,322
Joint stock land banks	208,322	52,954	78,881
Total	86,279,800	109,867,919	97,040,020
Short-term credit:			
Production credit associations a/ b/	328,731,247	383,864,580	461,147,273
Emergency crop loans	18,725,075	18,429,054	20,348,645
Orchard rehabilitation loans	- -	- -	10,605
Regional agricultural credit corporations a/	4,901,892	4,220,382	6,360,358
Federal intermediate credit banks (excluding loans to cooperatives) a/	467,278,683	567,427,645	696,769,661
Total	819,636,897	973,941,661	1,184,636,542
Loans to cooperatives:			
Federal intermediate credit banks a/	4,642,593	4,697,958	7,652,983
Banks for cooperatives	90,117,446	130,900,052	200,943,418
Agricultural Marketing Act revolving fund a/	658,800	3,279,420	5,848,100
Total	95,418,839	138,877,430	214,444,501
Grand total	1,001,335,536	1,222,687,010	1,496,121,063

a/ Includes renewals.

b/ Includes data for associations which have been placed in liquidation.

FARM CREDIT ADMINISTRATION

Table 2 - Amount of loans outstanding as of June 30 for specified years

Institution	1940	1941	1942
Farm mortgage loans:			
Federal land banks	$1,880,408,005	$1,817,937,645	$1,705,805,529
Land Bank Commissioner	668,850,213	630,118,518	567,745,303
Joint stock land banks	55,060,439	43,630,085	27,365,970
Total	2,604,318,657	2,491,686,238	2,300,916,802
Short-term credit:			
Production credit associations a/	200,415,302	221,418,627	247,895,491
Emergency crop loans	129,547,685	129,800,222	130,398,551
Drought relief loans	51,670,712	49,686,621	46,655,030
Orchard rehabilitation loans	- -	- -	10,605
Regional agricultural credit corporations	7,767,654	6,657,881	4,248,546
Federal intermediate credit banks (excluding loans to cooperatives)	233,441,253	266,701,076	307,033,553
Total	625,842,606	674,264,427	736,241,776
Loans to cooperatives:			
Federal intermediate credit banks	897,190	689,061	1,054,005
Banks for cooperatives	62,176,819	73,746,996	101,225,869
Agricultural Marketing Act revolving fund	18,199,684	15,643,543	12,628,301
Total	81,273,693	90,079,600	114,908,175
Subtotal	3,311,434,956	3,256,030,265	3,152,066,753
Joint stock land bank liquidation fund	4,436	2,883	- -
Grand total	3,311,439,392	3,256,033,148	3,152,066,753

a/ Includes data for associations which have been placed in liquidation.

FARM CREDIT ADMINISTRATION

Table 3 - Gross assets as of June 30 for specified years

Institution	1940	1941	1942
Farm mortgage credit:			
Federal land banks	$2,363,924,919	$2,283,232,240	$2,235,246,218
Federal Farm Mortgage Corporation	1,558,415,400	1,509,472,342	1,407,758,484
Total	3,922,340,319	3,792,704,582	3,643,004,702
Short-term credit:			
Production credit corporations	122,562,978	110,901,691	126,620,124
Production credit associations	301,980,355	314,533,462	368,590,995
Emergency crop and drought relief loans	209,946,292	202,057,500	196,934,345
Orchard rehabilitation loans	- -	- -	10,605
Federal intermediate credit banks	333,721,663	322,113,915	389,900,731
Banks for cooperatives	177,036,598	128,196,142	194,110,964
Total	1,145,247,886	1,077,802,710	1,276,167,764
Institutions in process of liquidation:			
Regional agricultural credit corporations	22,228,281	22,498,898	22,808,151
Agricultural Marketing Act revolving fund a/	261,653,199	262,493,284	261,491,258
Joint stock land banks	149,574,347	115,266,407	82,637,097
Total	433,455,827	400,258,589	366,936,506
Joint stock land bank liquidation fund	4,460	2,899	- -
Grand total	$5,501,048,492	$5,270,768,780	$5,286,108,972

a/ Includes loans to stabilization corporations.

FEDERAL LAND BANKS

Table 4. Selected comparative data

Item	June 30, 1940	June 30, 1941	June 30, 1942
Gross assets	$2,363,924,919	$2,283,232,240	$2,235,246,218
Loans outstanding:			
Number	616,308	608,145	583,601
Amount	1,880,408,005	1,817,937,635	1,705,805,529
Loans closed during year ended:			
Number	14,735	18,155	15,786
Amount	55,820,107	69,606,525	62,004,817
Repayments of loans during year ended	95,007,779	107,197,514	151,947,294
Loans delinquent:			
Number	142,152	121,538	81,226
Amount	476,618,396	402,624,239	262,392,800
Percent of loans delinquent:			
Number	23.1	20.0	13.9
Amount	25.3	22.1	15.4
Real estate and sheriffs' certificates acquired during the year ended:			
Number	7,871	5,515	4,245
Investment	33,796,765	22,710,883	17,161,630
Real estate and sheriffs' certificates disposed of during the year ended:			
Number:			
Whole	10,844	9,642	12,084
Part	1,002	821	896
Investment	43,858,054	42,279,522	57,860,640
Real estate and sheriffs' certificates on hand:			
Number	23,136	18,799	10,846
Investment	117,338,519	97,277,300	54,811,686
Bonds outstanding	1,735,985,940	1,714,169,140	1,674,556,540
Capital stock and surplus paid in United States Government	312,772,745	213,483,311	213,233,203
Capital stock owned by borrowers	111,047,425	109,487,013	105,289,770

FEDERAL INTERMEDIATE CREDIT BANKS

Table 5. Selected comparative data

Item	June 30, 1940	June 30, 1941	June 30, 1942
Gross assets	$333,721,663	$322,113,915	$389,900,731
Loans and discounts outstanding	237,338,443	267,390,138	308,087,558
Loans and discounts made during year ended	471,921,276	572,125,603	704,422,644
Debentures outstanding	210,300,000	234,665,000	299,470,000
Debentures issued during year	293,950,000	352,015,000	418,025,000
Franchise tax paid	685,050	547,934	315,16
Capital stock and surplus owned by U. S. Government	100,000,000	60,000,000	60,000,000

PRODUCTION CREDIT CORPORATIONS AND ASSOCIATIONS

Table 6. Selected comparative data

Item	June 30, 1940	June 30, 1941	June 30, 1942
Production Credit Corporations:			
Gross assets	$122,562,978	$110,901,691	$126,620,124
Production Credit Associations:			
Gross assets	301,980,355	314,533,462	368,590,995
Number of associations	537	538 a/	537
Borrower membership	259,589	257,807	273,284
Loans made during year ended	328,598,651	383,864,580	461,147,273
Loans outstanding	200,415,302	221,418,627	247,895,491
Stock owned by borrowers (Class B)	16,662,492	18,321,512	21,217,912
Stock owned by production credit corporations (and others) (Class A)	77,130,032	64,545,062 b/	84,945,714

a/ Includes 530 active associations and 7 associations in liquidation.

b/ Of this amount $877,838 is owned by individuals.

BANKS FOR COOPERATIVES

Table 7. Selected comparative data

Item	June 30, 1940	June 30, 1941	June 30, 1942
Gross assets	$177,036,598	$128,196,142	$194,110,964
Number of borrowing cooperatives	1,690	1,738	1,735
Loans and advances made during year ended	90,117,447	130,900,052	200,943,418
Loans outstanding	62,176,819	73,746,996	101,225,869
Notes purchased from cooperatives under CCC contracts to purchase during year ended	2,720,593	27,518,398	47,228,569
Notes purchased from cooperatives under CCC contracts to purchase outstanding	1,156,610	2,726,236	11,897,878
Capital stock or guaranty fund owned by borrowers	3,384,300	3,790,100	4,933,300
Capital stock owned by U. S. Government	149,000,000	89,000,000	144,000,000

EMERGENCY CROP, FEED, AND SEED LOANS

Table 8. Selected comparative data a/

	Loans made		Principal collected		Balance outstanding June 30, 1942	
	Number	Amount	Amount	Percent	Number	Amount
Emergency crop, feed, and seed loans:						
1918 - 1919	15,973	$4,200,883	$3,148,433	74.9	3,884	$1,052,450
1921 - 1931	557,993	70,835,686	53,302,318	75.2		(17,533,368
1932 - 1933	1,141,217	121,580,443	90,990,103	74.8		(30,590,340
1934	445,188	37,891,586	24,575,420	64.9		(13,316,166
1935	424,441	57,419,914	31,942,010	55.6	975,616	(25,477,904
1936	188,944	16,629,190	13,187,530	79.3		(3,441,660
1937	252,894	32,503,280	21,957,860	67.6		(10,545,420
1938	174,557	19,647,535	15,725,930	80.0	39,595	3,921,605
1939	139,452	15,079,509	13,724,544	91.0	19,956	1,354,965
1940	160,789	19,516,630	17,254,084	88.4	30,306	2,262,546
1941	146,740	18,345,912	14,843,867	80.9	38,914	3,502,045
1942	131,057	17,772,422	372,340	2.1	129,351	17,400,082
Total	3,779,245	431,422,990	301,024,439	69.8	1,237,622	130,398,551
Drought loans, 1934 - 1935	300,614	72,008,540	25,353,510	35.2	204,338	46,655,030
Orchard rehabilitation loans, 1942	13	10,605	-	-	13	10,605
Grand total	4,079,872	503,442,135	326,377,949	64.8	1,441,973	177,064,186

a/ This data prepared on a calendar (crop) year basis in order to relate collections to loans made. For loan receipts and disbursements on a fiscal year basis, see green sheet tabulation.

REGIONAL AGRICULTURAL CREDIT CORPORATIONS

Table 9. Progress in liquidation of outstanding loans since April 30, 1934

Year	Balance outstanding at beginning of period	Net reduction during period: Amount	Net reduction during period: Percent of beginning balance	Balance outstanding at end of period
1934 (May - December)	$144,671,174	$57,569,415	39.8	$87,101,759
1935	87,101,759	43,701,573	50.2	43,400,186
1936	43,400,186	18,112,426	41.7	25,287,760
1937	25,287,760	9,695,942	38.3	15,591,818
1938	15,591,818	4,510,521	28.9	11,081,297
1939	11,081,297	3,076,549	27.8	8,004,748
1940	8,004,748	2,149,656	26.9	5,855,092
1941	5,855,092	323,608	5.5	5,531,484
1942 (January - June)	5,531,484	1,288,938	23.3	4,248,54[illegible]

JOINT STOCK LAND BANKS

Table 10. Selected comparative data
(Including banks in receivership)

Item	June 30, 1940	June 30, 1941	June 30, 1942
Gross assets	$149,574,346	$115,266,407	$82,637,097
Number of banks	41	38	31
Loans outstanding:			
Number	16,071	13,241	7,917
Amount	55,582,395	43,630,085	27,365,970
Loans delinquent	11,982,414	8,475,189	3,918,008
Percent delinquent	21.6	19.4	14.3
Number of properties held	6,031	4,179	2,828
Real estate, sheriff's certificates purchase money mortgages, contracts, and real estate notes receivable	74,435,384	59,449,261	45,002,056
Bonds and notes payable	120,784,214	91,897,020	59,703,131

AGRICULTURAL MARKETING REVOLVING FUND

Table 11. Progress in liquidation

Date	Loans outstanding	Balance of assets acquired in liquidation of loans
May 26, 1933	$466,242,668	- -
December 31, 1933	334,091,770	$3,464,326
December 31, 1934	146,910,639	289,725
December 31, 1935	115,858,541	606,355
December 31, 1936	121,761,863	594,465
December 31, 1937	98,970,777	9,265,868
December 31, 1938	91,183,004	8,596,988
December 31, 1939	87,207,043	8,073,060
December 31, 1940	a/ 16,461,370	7,707,201
December 31, 1941	16,914,481	6,287,406
June 30, 1942	12,628,301	7,532,133

a/ During the year 1940, loans to stabilization corporations were reported to the Comptroller General of the United States for collection, and therefore have been removed from loans outstanding.

(b) FARMERS' CROP PRODUCTION AND HARVESTING LOANS
FARM CREDIT ADMINISTRATION

	1943	1944
Available funds:		
Reappropriations	$11,523,958	$3,449,655
Collections (pursuant to Public No. 674)	18,625,000	19,250,000
Total	30,148,958	22,699,655
Obligations:		
Loans	23,000,000	23,000,000
Transfer to: Salaries and expenses, Farm Credit Administration	3,603,076	3,938,561
Salaries and expenses, Office of Solicitor	96,227	- -
Total	26,699,303	26,938,561
Net available	3,449,655	-4,238,906
Estimated funds available for reappropriation in succeeding year	-3,449,655	- -668,367
Total estimate or appropriation	- -	4,907,273*

The Act of February 4, 1938 (52 Stat. 26), authorized the continued making of loans under the Act of January 29, 1937 (50 Stat. 5), subject to authorization by Congress for the use of all collections on 1937 and subsequent years' loans, including unobligated balances, for the making of loans during each fiscal year. When the amount of available collections and unobligated balances is not sufficient to carry out the loan program it is necessary to supplement the fund by direct appropriation for the amount of the deficiency. An appropriation of $4,907,273 additional money for the fiscal year 1944 is recommended, based on the present indication that the estimated loans, collections, and administrative expenses for the fiscal years 1943 and 1944 will create a deficiency of $4,238,906 by the end of the latter year. While the estimated dollar volume of loans during the fiscal years 1943 and 1944 is somewhat larger than it has been during the fiscal year 1942, the increase is due primarily to larger loans rather than to an increase in the number of loans. Average individual loans approximated $139 during the last six months of 1942 as compared with an average of approximately $118 during the same period in the preceding year.

* Excludes $92,727 transferred to and estimated for under "Salaries and expenses, Office of Solicitor" for 1944.

WORK UNDER THIS APPROPRIATION

General statement: The emergency crop and feed loan activities have been administered pursuant to the provisions of the Acts of June 29, 1937 (50 Stat. 5), and February 4, 1938 (52 Stat. 26), and various prior acts. As a part of its emergency aid to agriculture, Congress has made available funds for emergency loans to farmers for crop production, the purchase of feed for livestock, and for similar purposes. Prior to 1932, such loans were restricted to flood, drought, or storm-stricken areas, but in recent years, with the exception of the 1934 drought relief appropriation, there has been no limitation as to area.

Current program: The emergency crop and feed loan program, under the Act of January 29, 1937 (50 Stat.5), makes loans to farmers who are unable to obtain credit from usual commercial or Farm Credit sources. The lending program is being directed to aid in the achievement of the production goals of agriculture for food and fiber and the borrowers are urged to produce sufficient garden products for the subsistence of themselves and their families, as well as forage for the maintenance of livestock which will relieve the pressure on transportation facilities, and for the subsistence necessities which might otherwise be purchased in local markets.

In addition, the current loan program is devoting its attention to collections on outstanding accounts of loans made in 1921 and subsequent years. Farm income has been such that collections on these old loans have been exceedingly satisfactory. However, as heretofore, it is not the policy to force collections when to do so will impose hardship upon the borrowers.

For a tabulation of selected data on the operations under this program, see Table 8.

(c) ORCHARD REHABILITATION LOANS

The Budget schedule reflects the obligations incurred and estimated to be incurred from the appropriation of $1,000,000 "Orchard Rehabilitation Loans", which was provided in the Third Supplemental National Defense Appropriation Act, 1942. The Second Deficiency Appropriation Act, 1942, reappropriated $400,000 of the original fund for fiscal year 1943.

FEDERAL FARM MORTGAGE CORPORATION

(a) SALARIES AND EXPENSES

Appropriation Act, 1943	$9,050,000
Budget estimate, 1944	7,822,000
Decrease	-1,228,000

a/ To be paid from funds of the Federal Farm Mortgage Corporation.

INCREASES OR DECREASES

The proposed decrease of $1,228,000 in funds required for administrative expenses of the Federal Farm Mortgage Corporation for the fiscal year 1944 represents an estimated net decrease of $1,072,514 in the expenses of the Federal land banks for handling the Corporation's business and a decrease of $176,225 for services and facilities furnished the Corporation by the Farm Credit Administration. Offsetting this decrease is an increase of $20,739 in the estimated expense of handling bond transactions and certain fiscal operations of the Federal Farm Mortgage Corporation by the Treasury Department, which is due to an anticipated increase in services in connection with the calling in 1944 of certain issues of bonds held by the public. The net decrease of $1,072,514 in the cost of services to be performed by the Federal land banks as agents of the Federal Farm Mortgage Corporation is due to (1) elimination from the estimates of funds to cover loan acquisition costs in the approximate amount of $2,025,000 because the authority to make Land Bank Commissioner loans expires July 1, 1943, under existing provisions of the law, and (2) inclusion in the estimates of costs incurred in servicing and selling real estate in the approximate amount of $952,486, heretofore treated as non-administrative expense and therefore not included in the budget estimates for prior years. The decrease in the amount to be reimbursed the Farm Credit Administration represents a reduction in the services to be rendered the Corporation.

CHANGE IN LANGUAGE

The estimate includes proposed changes in language of this item as follows (new language underscored, deleted matter enclosed with brackets):

> 1. * * * purchase [(at not to exceed $750 each), exchange], maintenance, repair, and operation of motor-propelled passenger-carrying vehicles, to be used only for official purposes; [typewriters, adding machines, and other labor-saving devices, including their repair and exchange;] rent in the District of Columbia [and elsewhere];

The first deletion is recommended since the Independent Offices section of the 1944 Budget carries general provisions for the Government as a whole dealing with the prices which may be paid for automobiles and the exchange of such equipment. The second deletion eliminates unnecessary words since specific authority for purchase, repair and exchange of such equipment is not required. The third deletion is recommended since specific authority is not required for payment of rent outside the District of Columbia.

2. * * * payment of actual transportation and other necessary expenses and not to exceed $10 per diem in lieu of subsistence [and other expenses] of persons serving, while away from their homes, without other compensation from the United States, in an advisory capacity to the Corporation;

The shift in the position of the words, as indicated above, is proposed in the Budget in the interests of consistency with similar provisions in other appropriation bills, as explained under the same language change in "Salaries and expenses, Farm Credit Administration".

3. * * *: Provided, [That all necessary expenses (including services performed on a force account, contract or fee basis, but not including other personal services) in connection with the operation, maintenance, improvement, or disposition of real or personal property of the Corporation shall be considered as nonadministrative expenses for the purposes hereof:] That all expenditures which under the accounting system prescribed for the Corporation by the General Account Office are to be treated as capital investments, increasing the book value of acquired fixed property (real estate and chattels), shall be considered as nonadministrative expenses for the purposes hereof: * * *.

The provision defining nonadministrative expenses is revised to permit the inclusion in administrative expenses of operating costs of the Federal land banks on behalf of the Corporation in connection with the servicing and sale of real estate, which heretofore have been classified as nonadministrative expenses.

WORK UNDER THIS APPROPRIATION

General statement: The Federal Farm Mortgage Corporation was created by the Federal Farm Mortgage Corporation Act, approved January 31, 1934 (48 Stat. 344). It is a wholly owned government corporation designed (1) to assist in financing the Federal land banks during periods of emergency, and (2) to provide funds for loans to be made by the Land Bank Commisioner, pursuant to the provisions of Section 32 of the Emergency Farm Mortgage Act of 1933 (48 Stat. 48).

The business of the Corporation is handled for it by other agencies or departments of the Government authorized by law to make their services and facilities available to the Corporation. Services are performed for the Corporation by the Farm Credit Administration; the twelve Federal land banks, one in each Farm Credit District; the Federal reserve banks; the Treasury

Department; and the Bureau of Agricultural Economics of the Department of Agriculture. The expenses of the Corporation are incurred originally by the agencies performing the service for the Corporation and the Corporation reimburses each of them for the service so rendered. It is estimated that $7,822,000 of the funds of the Corporation will be required for this purpose in 1944.

There follows a summarization of the estimates of the amount of expenses to be incurred by the various offices and agencies in performing services for the Corporation:

1. Federal land banks. The Federal land banks as agents of the Federal Farm Mortgage Corporation service Land Bank Commissioner loans and handle the servicing and sale of real estate on behalf of the Corporation. It is estimated that the cost of such services will be $6,848,093

2. Farm Credit Administration, Kansas City, Mo. The central office of the Administration through its personnel and the facilities available to it furnishes statistical and research information, maintains the Corporation's Central Office accounting records, audits its vouchers prior to disbursement, exercises supervision over the Federal land banks in the making and servicing of the Corporation's loan business and serves in other advisory or administrative capacities. The cost of such services is estimated at 805,863

3. United States Treasury Department:

Bureau of Engraving and Printing: The bonds of the Corporation are prepared by the Bureau of Engraving and Printing. It is estimated that the cost of preparing and issuing new bonds by the Bureau of Engraving and Printing will be 2,500

Public Debt Service: The Public Debt Service receives Corporation bonds from the Bureau of Engraving and Printing and retains custody of them until shipped to Federal reserve banks for issuance; maintains records concerning outstanding Corporation bonds and unissued coupon bonds in the hands of Federal reserve banks; audits the accounts of the Federal reserve banks with respect to the issuance of Corporation bonds; handles bond exchange transactions and maintains proper records in connection therewith; and audits canceled securities. The estimated cost of these services is 45,000

Treasurer of the United States: The Treasurer of the United States acts as custodian for securities owned by the Corporation; acts as depositary for the cash of the Corporation; redeems the bonds and interest coupons when matured, and issues and pays checks on the basis of certificates of the Public Debt Service for interest on registered bonds. The cost of these services is estimated at 16,000

4. Federal reserve banks. The Federal reserve banks as fiscal agents of the United States maintain stocks of unissued Federal Farm Mortgage Corporation coupon bonds for the purpose of making denominational exchange. They also receive subscriptions to purchase Corporation bonds when they are publicly offered and make delivery of the bonds and collect the proceeds of the sales for the account of the Corporation. They also pay, when presented, matured interest coupons and bonds of the Corporation for which they are reimbursed from Corporation funds on deposit with the Treasurer of the United States. The cost of services to be performed by the Federal reserve banks is estimated at 50,000

5. Bureau of Agricultural Economics, Department of Agriculture: The Bureau of Agricultural Economics of the Department of Agriculture renders services to the Mortgage Corporation in the formulating of programs for the better adaptation of farm mortgage loans to the requirements of sound land use and agricultural adjustment in various states and localities. The cost of the services of the Bureau of Agricultural Economics in this connection for the year 1944 is estimated at 52,444

6. Miscellaneous general. It is estimated that there will be miscellaneous expenses to be paid by the Corporation to others than the agencies enumerated in the amount of 2,100

Total estimated administrative expenses 7,822,000

Current program: The lending authority of the Land Bank Commissioner, whose loans are financed by the Federal Farm Mortgage Corporation, expires on July 1, 1943. In the absence of additional legislation therefor the Farm Mortgage Corporation program in the fiscal year 1944 will be devoted to the servicing of outstanding loans and real estate on its books as of the date its lending authority expires. As in the past every effort will be made to follow sound collection policies and to urge borrowers to reduce their indebtedness out of the increased farm income that is available to them. They are being encouraged to make advance payments on their loans and to build up reserves for themselves which can be used in future years and to purchase War Savings Bonds.

Inasmuch as the Federal land banks are agents of the Corporation in servicing its loans, it will also be the beneficiary of the program of the Federal land banks in its efforts to decentralize its servicing activity to national farm loan associations throughout the country, and to serve farmers better and more promptly.

There follow selected comparative data on the operations of the Federal Farm Mortgage Corporation.

FEDERAL FARM MORTGAGE CORPORATION

Table 1. Selected comparative data

Item	June 30, 1940	June 30, 1941	June 30, 1942
Gross assets	$1,558,415,400	$1,509,472,342	$1,407,758,484
Loans outstanding:			
Number	433,706	432,243	411,579
Amount	668,850,213	630,118,518	567,745,303
Loans closed during year ended:			
Number	18,066	23,359	19,692
Amount	30,251,371	40,208,440	34,956,322
Repayments of loans during year ended	61,340,273	65,110,833	86,746,206
Loans delinquent:			
Number	99,962	93,037	63,933
Amount	187,328,898	169,150,701	112,073,189
Percent of loans delinquent:			
Number	23.0	21.5	15.5
Amount	28.0	26.8	19.7
Real estate and sheriffs' certificates acquired during year ended:			
Number	4,899	3,567	3,438
Investment	15,320,177	11,497,477	11,078,222
Real estate and sheriffs' certificates disposed of during year ended:			
Number:			
Whole	6,587	5,504	5,414
Part	386	373	445
Investment	19,876,388	17,894,121	18,730,913
Real estate and sheriffs' certificates on hand:			
Number	8,537	6,558	4,539
Investment	27,390,061	22,631,948	16,481,692
Bonds outstanding	1,269,387,900	1,269,387,900	1,192,764,200
Capital stock	200,000,000	100,000,000	100,000,000

Farm Credit Administration - Division of Finance and Accounts.

GENERAL PROVISIONS

Provisions applicable to the Department as a whole, hitherto carried at various places in the Agriculture Appropriation Acts, are brought together at the end of the Bill as proposed for 1944, in five separate "sections," as follows:

Section 2: This new section covers the authority for 7% interchange of appropriations, the same provision as was carried in the 1943 Act. The following transfer was made under this authority in 1942:

Amount transferred	From--	To--	Reasons
$4,000	Salaries and expenses, Bureau of Animal Industry, Meat inspection	Salaries and expenses, Bureau of Animal Industry, Inspection and quarantine	For purchase of passenger-carrying vehicles

Section 3: This section covers the provisions for "work for other departments," with no change from the same item carried in the 1943 Act.

Section 4: This section covers the provisions relating to the purchase, operation and maintenance of passenger-carrying vehicles with changes indicated as follows (deleted matter enclosed with brackets; new language underscored):

> Sec. 4. Within the unit limit of cost fixed by law the lump-sum appropriations herein made for the Department [of Agriculture] shall be available for the purchase of motor-propelled and horse-drawn passenger-carrying vehicles necessary in the conduct of the field work of the Department [of Agriculture] outside the District of Columbia: Provided, That such vehicles shall be used only for official service outside the District of Columbia, but this shall not prevent the continued use for official service of motor-trucks in the District of Columbia: [Provided further, That the limitation on expenditures for purchase of passenger-carrying vehicles in the field service shall be interchangeable between the various bureaus and offices of the Department, to such extent as the exigencies of the service may require:] Provided further, That appropriations contained in this Act shall be available for the maintenance, operation, and repair of motor-propelled and horse-drawn passenger-carrying vehicles: [Provided further, That the Secretary of Agriculture may exchange motor-propelled and horse-drawn vehicles, tractors, road equipment, and boats, and parts, accessories, tires, or equipment thereof, in whole or in part payment for vehicles, tractors, road equipment, or boats, or parts, accessories, tires, or equipment of such vehicles, tractors, road equipment, or boats purchased by him:]

> Provided further, That the funds available to the Agricultural Conservation and Adjustment Administration may be used [during the fiscal year for which appropriations are herein made] for the maintenance, repair, and operation of one passenger-carrying vehicle [for official purposes] in the District of Columbia (56 Stat. 699).

The proviso permitting the Department to interchange between bureaus, limitations on the purchase in the field of passenger-carrying vehicles is eliminated as being unnecessary since neither the Agriculture Appropriation Act 1943 carried, nor is there proposed in the Budget for 1944, any limitations on such purchases in view of the priorities situation and other current factors which in themselves effectively restrict the ability of the Department to purchase automobiles. In this connection, a definite understanding was had with the House Committee on Appropriations during the hearings on the 1943 Act that, though specific limitations on purchases were not to be included in the Act, the Department's purchases would not exceed the numbers of vehicles indicated in the passenger-carrying vehicle statements in the 1943 Budget even if the conditions of availability of vehicles should materially improve. The Department assures the Committee that it will be bound by the same understanding in 1944, and will not purchase a larger number of vehicles than the total indicated in the 1944 Budget, unless clearance is obtained from the Committee.

The authority to exchange vehicles and other equipment in whole or part payment for similar equipment is deleted as being unnecessary since the Budget includes similar authority for the Government as a whole under the Independent Offices Appropriation section, as follows:

> Sec. 7. In purchasing motor-propelled or animal-drawn vehicles or tractors, or road, agricultural, manufacturing, or laboratory equipment, or boats, or parts, accessories, tires, or equipment thereof, the head of any executive department or independent establishment or his duly authorized representative may exchange or sell similar items and apply the exchange allowances or proceeds of sales in such cases in whole or in part payment therefor.

The words "during the fiscal year for which appropriations are herein made" are deleted as being superfluous.

In the last proviso, the words "Conservation and" are added so as to read "Agricultural Conservation and Adjustment Administration." The word "official" is deleted as being superfluous, since general provisions in the Independent Offices Appropriation Act serve to restrict the use of this vehicle to official purposes.

Section 5: This section relates to the employment of aliens, and is revised as follows (new language underscored, deleted matter enclosed with brackets):

Sec. [2] 5. [No part of any appropriation contained in this Act authorized hereby to be expended shall be used to pay the compensation of any officer or employee of the Government of the United States, or of any corporation the majority of the stock of which is owned by the Government of the United States, whose post of duty is in the continental United States unless such person is a citizen of the United States: Provided, That this section shall not apply to any person in the service of the United States on the date of the approval of this Act who being eligible for citizenship had theretofore filed a declaration of intention to become a citizen or who owes allegiance to the United States: Provided further, That this section] Provisions of law prohibiting or restricting the employment of aliens shall not apply to (1) the temporary employment of translators [on a temporary basis where] when competent citizen translators are not available [and it shall not apply to the temporary]; (2) employment in cases of emergency of persons in the field service of the Department for periods of [less] not more than sixty days [: Provided further, That this section shall not apply to]; (3) employment on the Emergency Rubber Project; (4) employment by the Rural Electrification Administration of not to exceed twenty junior engineer trainees who are citizens of other American republics[. This section shall not apply to citizens of the Commonwealth of the Philippines]; and (5) employment under the appropriation for the Office of Foreign Agricultural Relations (56 Stat. 702).

The first deletion and first insertion are proposed because the 1944 Budget provides a restriction, for the Government as a whole, on the employment of aliens, under the Independent Offices section, as follows:

Sec. 9. Unless otherwise specified, no part of any appropriation contained in this or any other Act shall be used to pay the compensation of any officer or employee of the Government of the United States, or of any agency the majority of the stock of which is owned by the Government of the United States, whose post of duty is in continental United States unless such person is a citizen of the United States or a person in the service of the United States on the date of this enactment who, being eligible for citizenship, had theretofore filed a declaration of intention to become a citizen or who owes allegiance to the United States. This section shall not apply to citizens of the Commonwealth of the Philippines or to nationals of those countries allied with the United States in the prosecution of the war (56 Stat. 422).

The changes in the first and second exceptions to the general limitation, subheadings (1) and (2), are merely editorial.

The third exception, subheading (3), permits employment of aliens on the Emergency Rubber Project (Guayule). Authority for using aliens on this project was provided in the Second Deficiency Appropriation Act 1942, and the Second Supplemental National Defense Appropriation Act, 1943, and should not be discontinued now that the funds are carried in the Department of Agriculture Act, since it is necessary to draw heavily on alien labor (especially Mexican) in securing workers for this essential war project.

A fifth exception, subheading (5), continues the authority for employment of aliens by the Office of Foreign Agricultural Relations, and is made necessary by virtue of including in the appropriation for that office funds and authority to carry out the Secretary's function as a member of the joint Great Britain-United States Combined Food Board. Authority to hire aliens for this work was included in the Second Supplemental National Defense Appropriation Act, 1943, when funds were provided for the last half of the fiscal year 1943.

Section 6: This section covers the restriction on the employment of persons who are members of organizations that advocate the overthrow of the Government of the United States, with no change from the same provision carried in the 1943 Act.

Section 4 of the 1943 Act, relating to travel: Section 4 of the 1943 Agricultural Appropriation Act provided as follows:

> Sec. 4. Of the total amount available under this Act for traveling expenses, the Secretary of Agriculture is authorized and directed, on or before August 1, 1942, to cover into the surplus fund of the Treasury the sum of $1,500,000, which shall be in addition to reductions in amounts available for traveling expenses resulting from decreases in the appropriations made by this Act below the Budget estimates.

This section provided for the return to surplus of $1,500,000 of the amounts available in the Act for travel. In effect, this section reduced the appropriations by that amount but left to the discretion of the Secretary the decision as to the amount by which each appropriation would be reduced. These amounts have been determined and returned to surplus from the appropriations involved.

The amounts returned to surplus in 1943 are reflected as reductions in the various appropriations in the estimates for 1944. Therefore, the Department has, in reality, projected the intent of Section 4 into the budget year by distributing the reductions in travel in advance of the appropriation of the funds. Accordingly, it is recommended that Section 4 be deleted from the Act since the reductions contemplated therein have already been provided for in the Budget estimates.

CLAIMS, JUDGMENTS AND PRIVATE RELIEF ACTS

Obligations totalling $218,549.93 were incurred during 1942 for claims, judgments, and private relief acts involving the Department of Agriculture.

MISCELLANEOUS CONTRIBUTED FUNDS, DEPARTMENT OF AGRICULTURE

This account covers miscellaneous contributed funds received by the Department of Agriculture from states, local organizations, individuals, etc., deposited in the Treasury of the United States, and made available for carrying out various cooperative agreements. The amounts obligated thereunder during the fiscal year 1942 and estimated for 1943 and 1944 are:

1942	$100,520
1943 (estimated).....	127,100
1944 (estimated).....	134,900

MISCELLANEOUS TRUST ACCOUNTS, DEPARTMENT OF AGRICULTURE

These accounts have been established in order to refund moneys received from individuals, etc., and covered into the Treasury of the United States by the Department of Agriculture in excess of the amounts actually earned or due. There are listed below the several trust accounts involved and the amounts appropriated and obligated during the fiscal year 1942:

Unearned fees and other charges, Section 8a(4), Commodity Exchange Act	$ 0
Return of Excess Deposits for Reproductions of Photographs, Mosaics and Maps	3,657
Unclaimed Moneys of Individuals Whose Whereabouts are Known	978
Total	4,635